

Massachusetts
Water Pollution Abatement Trust
(A Component Unit of the Commonwealth of Massachusetts)



Comprehensive Annual Financial Report as of and for
the Years Ended June 30, 2003 and June 30, 2002
and Independent Auditors' Report



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(A Component Unit of the Commonwealth of Massachusetts)

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June 30, 2003 and June 30, 2002 and Independent Auditors' Report

Prepared by the Management of the
Massachusetts Water Pollution Abatement Trust

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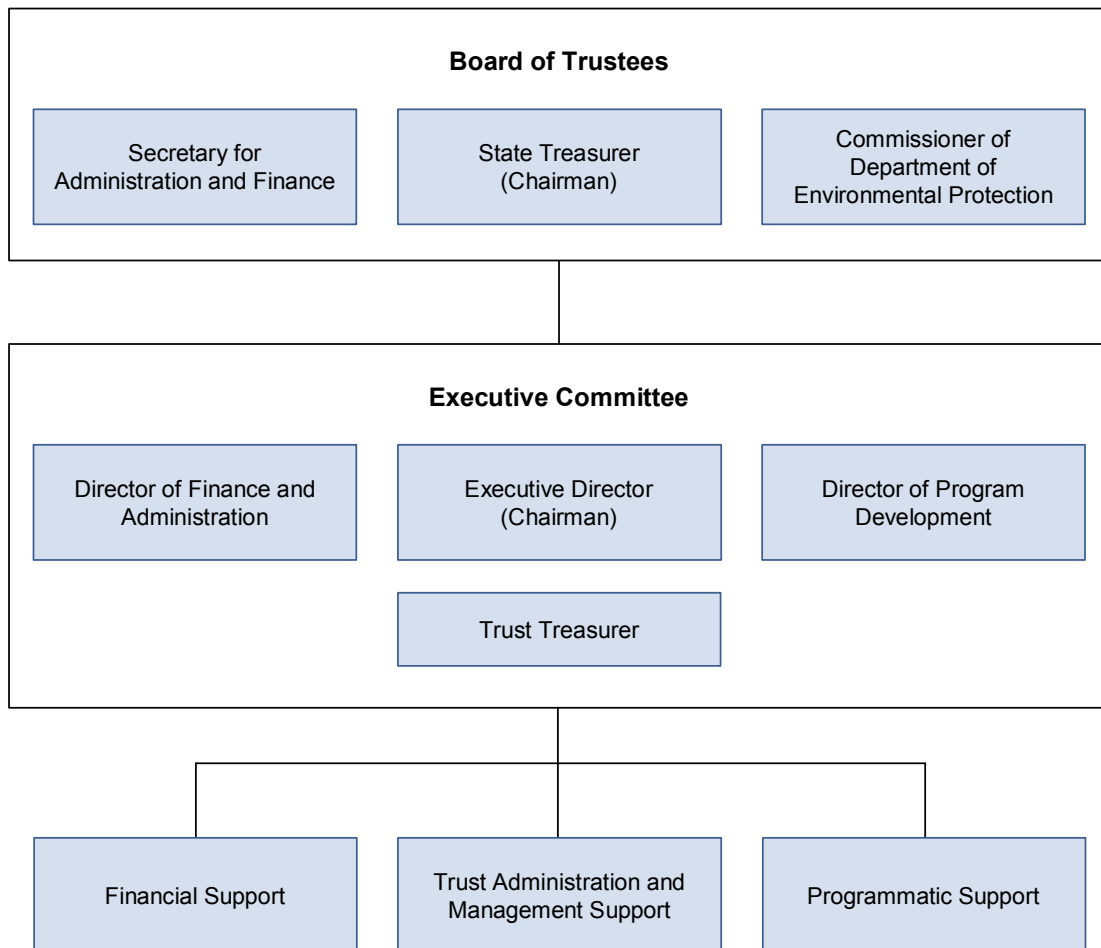
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Massachusetts Water Pollution Abatement Trust
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Introductory Section

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Administrative Structure



Board of Trustees

Mr. Timothy P. Cahill	Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Eric Kris	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Mr. Edward Koontz	Acting Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

Designees of Trustees

Mr. Jeffrey S. Stearns	Designee of the Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Timothy R. Murphy	Designee of the Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Ms. Cynthia Giles	Designee of the Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

Senior Management

Ms. Laura M. Guadagno	Executive Director
Ms. Nancy E. Parrillo	Treasurer
Mr. Timothy R. Murphy	Director of Finance and Administration
Mr. Joseph E. McNealy	Director of Program Development



Message from the Chair of the Massachusetts Water Pollution Abatement Trust

Timothy P. Cahill

*Chair of the Massachusetts Water Pollution Abatement Trust and
Treasurer and Receiver General of the Commonwealth of Massachusetts*

To the Stakeholders of the Massachusetts Water Pollution Abatement Trust:

It is with great pleasure that I deliver to you the Massachusetts Water Pollution Abatement Trust's (the Trust) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2003. I am proud to serve as chair of an organization that is not only a model for state revolving funds across the United States, but also can boast many "first in the nation" accomplishments.

The Trust had several achievements of note during FY2003. Demand for funding from the Trust has continued to outstrip Trust resources since the inception of the program. In FY2003, the Trust issued another \$319.7 million in new construction loans to 73 communities and districts in its Pool 8 and MWRA series of bonds issued in the fall of 2002. The Trust's extended financing program continues to be a viable option for those entities working hard to keep the user rates affordable. The Title V – Community Septic Management Program is still thriving. To date, the Trust has provided more than \$40.3 million of such funding to communities across the Commonwealth, providing an affordable alternative to homeowners grappling with the costs remediating this environmental and health problem.

The Trust continues to face a number of challenges as it looks to the future. Foremost among these challenges is the creation and management of additional capital generated from such factors as the ability to change our financial leveraging ratio as permitted by state legislation passed in FY2001, which will allow us to finance additional projects in a manner that is affordable for the Commonwealth and our communities. Further, more privately owned public drinking water systems will qualify for financing through the Trust over the next several years, requiring us to develop a mechanism to overcome the inherent difficulties presented when financing private projects with tax-exempt municipal bond proceeds.

While the Trust had an impressive record of achievement in FY2003, much remains to be done to provide critical economic and environmental benefits to the citizens of the Commonwealth in the years ahead.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "T. P. Cahill", written in a cursive style.

Timothy P. Cahill
Chair

Massachusetts Water Pollution Abatement Trust

Trustees

Hon. Timothy P. Cahill, Chair
Hon. Eric Kriss
Hon. Edward Koontz

One Ashburton Place
12th Floor
Boston, MA 02108-1608
(617) 367-3900
Fax (617) 227-1773

Executive Director
Laura M. Guadagno

Treasurer
Nancy E. Parrillo

To the Members of the Board of Trustees of the Massachusetts Water Pollution Abatement Trust:

It is with great pleasure that I submit to you the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Water Pollution Abatement Trust (the Trust) for the fiscal year ended June 30, 2003. This year's CAFR is presented on a comparative basis, with the fiscal year ended June 30, 2002, and is submitted under Article VII, Section 2 of the bylaws of the Trust. This report has been prepared in conformity with accounting principles generally accepted in the United States of America, thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements. The data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's activities have been included. The information contained within this report is the responsibility of management.

The CAFR is presented in three major sections: introductory, financial, and statistical. The introductory section, which is unaudited, is comprised of a letter of transmittal, an organizational chart of the Trust, as well as a list of the Trust's principal officials. This section is intended to inform the reader of the overall programmatic accomplishments for the year. The financial section includes management's discussion and analysis of the financial results of the year, the general-purpose financial statements and combining financial statements and schedules, as well as the independent auditor's opinion on these financial statements and schedules. The statistical section, which is also unaudited, contains other schedules that may be useful in understanding the activities of the Trust. These statistical schedules include revenues and expenditures by character and loan activity by local governmental unit, as well as population served. These schedules are generally on a multiyear basis.

The reporting entity, the Trust, is a public instrumentality of the Commonwealth of Massachusetts. It was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund pursuant to Title VI of the Federal Clean Water Act (the Act). It was later amended in 1998 to encompass the provisions of Title XIV of the Federal Safe Drinking Water Act (the DWSRF). The Trust's mission, as contemplated by its enabling legislation, is to fund the implementation of water pollution control projects in the Commonwealth through a revolving fund loan program.

The Trust is authorized to issue bonds, guaranteed by reserves that are funded by Federal grants and Commonwealth matching funds, to provide subsidized financing for these projects. As of June 30, 2003, the Trust has funded nearly \$2.8 billion of projects for more than 280 governmental units across the Commonwealth, ranging in scope from secondary wastewater treatment and drinking water treatment plants to individual septic systems.

As a public instrumentality, the Trust is reported on the Commonwealth's Combined Annual Financial Report as a component unit. The Trust also submits its independently audited financial statements to the Commonwealth's Senate and House of Representatives, as well as the Office of the Comptroller, and other interested parties. Also, as an entity receiving federal funding, the Trust is required to undergo an annual "Single Audit" to conform to the requirements of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. The Trust is administered by a three-member board. The State Treasurer serves as the Chair, with the other two members being the Secretary of the Executive Office for Administration and Finance and the Commissioner of the Department of Environmental Protection. The Trust operates under the direction of the Executive Director, with an Executive Committee to coordinate efforts between the three member units.

It is the function of DEP to determine which of the potential projects in the communities should be undertaken based on environmental and health issues. The Treasurer's Office, represented by the Trust, is responsible for financing those projects. A&F ensures that the Commonwealth can support the level of financial subsidies provided for by state statute for the projects chosen. The close working relationship of these three offices ensures the financial viability of the programs designed to help improve the environmental and public health issues across the Commonwealth.

Financial Results of the Trust

The CAFR being presented is a snapshot of the Trust's financial position as of June 30, 2003 and the activities that encompass that position. The Financial Section of the CAFR includes a number of items. First is the Independent Auditors' Report, which provides an opinion about the financial statements as to whether they are stated fairly in all material respects. The information reported in the financial statements is the responsibility of the Trust's management and not that of our independent auditors and should not be construed as such.

Next is the Management's Discussion and Analysis, which is a narrative about changes in the financial state of the Trust as compared to last year. Key elements discussed are changes in assets, liabilities, long-term debt, cash, and net income. Comments on economic issues affecting the Trust's performance are also included.

The financial statements contain a Statement of Net Assets (the Balance Sheet) illustrating the financial position of the Trust as of June 30, 2003. The "net assets" value at the end of the statement can be traced to the Combined Statement of Revenues, Expenses and changes in Net Assets (more commonly referred to as "The Income Statement"). The last statement is the Statement of Cash Flows that reconciles cash flows to income before operating transfers, breaking down the activities by operating, capital and related financing, and investment activities. This statement is used to assess the Trust's ability to meet its operating cash needs. Last are the footnotes that accompany the statements to fully explain the activities reported in them.



The Financial Picture Continues to Strengthen

In FY2003, the financial position of the Trust continued to grow. The most important aspects of the Trust's financial position are the changes in cash and investments held by the Trust, the amounts of loans and/or bonds that are due to the Trust from borrowers, and the amount of bonds due to the bondholders from the Trust. These three categories make up the majority of the Trust's net equity.

In FY2002, the Trust reported outstanding loans of \$1.8 billion. In FY2003, that number grew to \$2.1 billion, which includes the issuance of the Pooled Loan Program, Series 8 (\$266.9 million) and the Massachusetts Water Resources Authority (MWRA) Loan Program, Series 2002A (\$124.8 million) in new debt, while retiring \$72.5 million of outstanding debt. The Trust's outstanding loan portfolio continues to grow as it plans to finance another \$325 million in the fall of 2003. Clearly, the Trust has achieved remarkable success in funding low-cost loans to local governments to help remediate water pollution and provide safe drinking water.



However, despite the growth in the program activity and the number of projects financed, the Trust continues to keep operating costs low. Overhead, including administrative costs associated with project management of both the Clean Water and Safe Drinking Water Programs, is significantly under 1% of outstanding loans.

Total Cash Position Continues to Shift Toward Long-Term Cash

The components of cash and investments continue to shift from short-term to long-term instruments. The long-term investments presented here by the Trust predominantly consist of debt service reserve funds. The Trust utilizes its cash in the debt service reserve funds to collateralize long-term bonds, thereby making more money available for loans to more cities and towns.

The long-term investments are held in guaranteed investment contracts, or GICs, which are similar to certificates of deposit (CDs) in that they pay a fixed yield. A GIC differs from a CD in that the principal can be withdrawn at any time (for example, in the case of a loan default) without a principal penalty. Furthermore, the GICs held by the Trust are with "AA-" or "AAA-" rated institutions and are all over-collateralized (more than 100% of principal and interest due to the Trust) with the most secure investments available, United States Treasury and Agency securities. A higher long-term position is reflective of prudent investment management, as these GICs are at higher guaranteed rates than are available at current market interest rates.

Short-term cash is largely invested in the Massachusetts Municipal Depository Trust, a \$1 net asset value money market fund, managed by the Commonwealth in conjunction with Fidelity Investments and State Street Bank and Trust Company. The components of short-term cash include interest earnings, unspent reserved short-term project funds and a minimal amount of funds not yet earmarked for future loans.

During FY03, the Trust continued to draw its capitalization grants from the U.S. Environmental Protection Agency (EPA). These draws totaled more than \$90.2 million. Interest earnings, net of bond interest expenses, totaled nearly \$13.0 million, while cash released back to the Trust from long-term reserve funds amounted to almost \$36.6 million.

Other Assets and Liabilities Continue to Grow

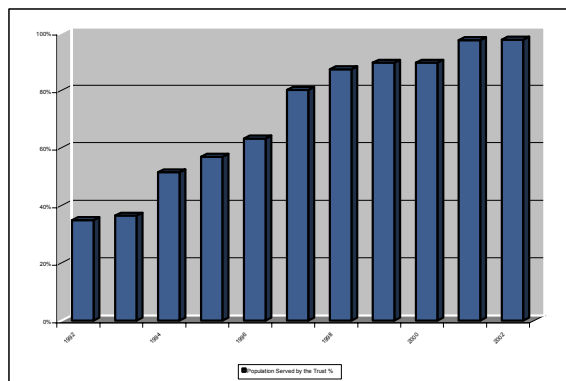
In FY2003, the Trust continued to offer its extended financing program, allowing borrowers to finance an eligible project with the Trust through the execution of a bond purchase agreement with a repayment term of up to thirty years. This arrangement allows cities and towns a longer repayment term, attempts to match a loan amortization schedule with asset life, and makes water and sewer projects more affordable at the local level.

In FY2003, the Trust completed two more transactions. In October 2002, the Trust closed on its MWRA Loan Program, Series 2002A for \$124.8 million. This issue was a combination of new construction funds for both clean water (\$91.7 million) and drinking water (\$33.1 million) projects. In November 2002, the Trust issued its Pooled Loan Program, Series 8 for \$266.9 million. It was comprised of 85 loans – 57 in the clean water category and 28 in the drinking water category. Of the \$246.3 million issued for new construction, \$193.9 million was for clean water projects and \$52.4 million was for six loans opted for extended financing (30-year) terms. The balance of the Pool 8 issue, \$73 million, was issued as the Trust's fourth group of drinking water loans.



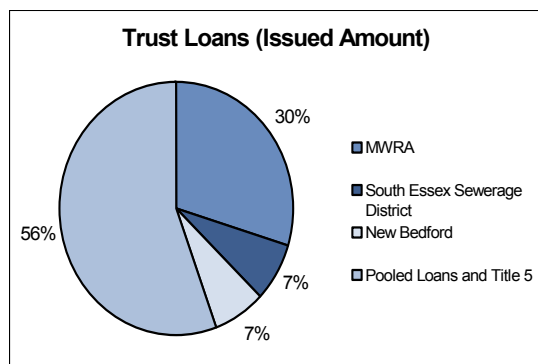
The Trust Continues to Maintain Highest Credit Ratings

The high credit rating of Trust bonds is due to several factors, including the security of their related structures, which have traditionally provided debt service reserve funds that approach 50% of the outstanding principal of each bond issue. Under the leveraged bond purchase program for extended financing, debt service reserve funds equal 40% of the outstanding principal. Refunding issues with repayment terms in excess of twenty years also are secured by reserves pegged at a maximum of 40%, but the reserve may vary depending upon the financing structure. Bonds issued to finance loans for projects pursuant to the Drinking Water program are also secured by 40% debt service reserve funds, primarily to provide financing for more projects due to the relative scarcity of equity in that program. As time goes by, however, more and more Trust bonds will be collateralized by debt service reserve funds of 33.33%, as the new interest rate of 2% will be charged to the local borrowers in accordance with new legislation passed in FY2000 and which applies to any new construction projects that first appear on the Calendar Year FY2002 Intended Use Plan (IUP) and future IUP's. The earnings from these reserve funds help to subsidize borrower repayments to the Trust and, along with the funds themselves, are available to pay debt service on the bonds in the event of a borrower default. The reserve funds are invested in over-collateralized guaranteed investment contracts, which also add to the creditworthiness of the bonds.



Further enhancing the Trust's bonds is the fact that they are all cross-collateralized. This allows the Trust to pledge all assets in the program – regardless of clean water or drinking water classification – as security for Trust bonds.

The ability of the Trust to intercept extensive state local aid payments to communities in the event of a default and the diverse make-up of the Trust's borrower pool are also significant factors in the strength of the Trust's creditworthiness. Based upon these various types of security, the Trust's Pool program (the vehicle through which most constituents



borrow) is rated “AAA” by all three rating agencies. One of those agencies, Fitch IBCA, has indicated that the Trust’s Pool Program is the strongest in the country.

2003 Trust Operations

As the result of Trust’s activities in 2003, almost 95% of the population of the Commonwealth will be served by new projects financed or subsidized this year. This includes additional residents in communities participating in the Title 5 septic system repair program, as well as those served by the more traditional projects financed through leveraged borrowings. This year, the Trust

financed projects for thirteen new borrowers in the Pool 8 transaction. First-time borrowers included Brookfield, Lexington, Leominster, Norfolk, Palmer, Rockport, Wilmington, Wrentham, and the following Water Districts: Cherry Valley, Hopedale, Lunenburg, Swansea, and Warren. This brings the number of communities and governmental units participating in the Trust’s loan programs to 225.

Many of the Trust’s borrowers are not part of traditional sewer systems. They benefit from Trust financing available under the Commonwealth’s Title 5 Septic System Repair and Replacement program. With the issuance of Pool 8, another \$5 million was earmarked for the Title 5 program, bringing the total borrowed to date for Title 5 projects to \$26.8 million. In addition to the traditional use of these funds to assist individual homeowners, a portion is used to tackle large projects that are Title 5 in nature but have much broader benefits than the single-residence projects. Large-scale Title 5 projects, which address entire neighborhoods or sections of communities, are underway in Gloucester and in the sensitive Wachusett Reservoir watershed in the Towns of Holden and West Boylston. The Trust’s Title 5 program continues to be one of the most effective programs nationally in addressing non-point sources of pollution.

One of the hallmarks of the Trust is the diversity of borrowers and projects that we finance. Large, multiyear treatment plant projects receive more attention simply because of their scope and cost, but the



Trust is also quite committed to our Pooled Loan financings. These bond issues allow many cities and towns to complete more modest projects that they would not normally be able to finance as efficiently or cost-effectively on their own. By participating in our Pooled financing program, borrowers can implement projects while enjoying extremely attractive financing rates and savings achieved through economies of scale.

Since the creation of the Safe Drinking Water SRF program several years ago, the Trust has begun to finance projects for privately owned public drinking water systems as expressly intended by Congress and EPA. In FY2002, the Trust permanently financed a loan in Pool 7 for the Windbrook Acres Cooperative Corporation, located in Auburn, Massachusetts, for improvements to its delivery system. In FY2003, an interim loan was issued to Aquarion, another privately owned company, for improvements to the drinking water system that services that Town of Millbury. The Trust expects to issue bonds for that project in the fall of 2003. It continues to be likely that additional privately owned systems

will qualify for SRF assistance in future years. Since IRS regulations impose a limit on the amount of tax-exempt bonds that may be issued for the benefit of private entities, the Trust will need to develop a strategy to accommodate the growing demand for these particularly scarce resources.

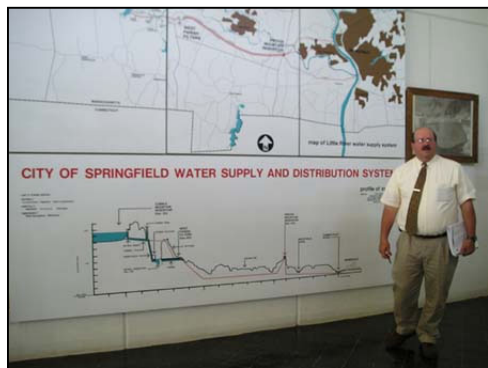
Legislative Impact on Future Funding

Congress has continued to provide annual capitalization grant funding for Clean Water SRF programs despite the fact that reauthorization of the Clean Water Act has been stalled since 1995. The Trust is working with the Council of Infrastructure Financing Authorities (CIFA), which acts as a liaison between States, Congress and the EPA to encourage reauthorization. Massachusetts has authorized \$46.5 million in state funding to match anticipated federal grants through FY2007, a strong indication of the Commonwealth's support of the program.

With respect to the drinking water program, Congress passed the Safe Drinking Water Act, which was signed by President Clinton on August 6, 1996. The Act authorizes \$1 billion annually through FY2003 to capitalize existing State Revolving Funds (SRFs) specifically for drinking water projects. Federal authorization at this level, combined with Commonwealth matching grants and the Trust's ability to leverage its capital, would allow the Trust to provide approximately \$490 million in financing for drinking water projects through 2004. The Commonwealth has appropriated \$45 million for matching funds for Safe Drinking Water federal capitalization grants, satisfying its anticipated requirement through 2004.

While the continuation of federal grants provides the major portion of new equity for the Trust each year, the revolving aspect of our program has become an increasingly significant element of our annual uncommitted equity, particularly with regard to the Clean Water fund. Even if federal funding of Clean Water SRF programs were to be scaled back from current levels, the repayment of outstanding loans would generate a sufficient level of funds to allow the Trust to continue to issue new loans. Trust equity revolves as the result of the repayment by borrowers of principal on existing direct loans and the release of debt service reserve funds that secure leveraged loans. These "free-ups" are returned to the equity fund and can be utilized to fund new loans. In FY2002, for example, these "free-ups" from the Clean Water and Drinking Water programs totaled more than \$34 million. In FY2003, these free-ups reached \$36.1 million. Interest earnings realized through investment of Trust equity funds represent an additional contribution to equity that serves to increase available capacity to provide new financing. Management believes that the size of the annual "free-ups" for the Clean Water program is an obvious indicator that the Massachusetts SRF program is developing as Congress expected state programs would when they

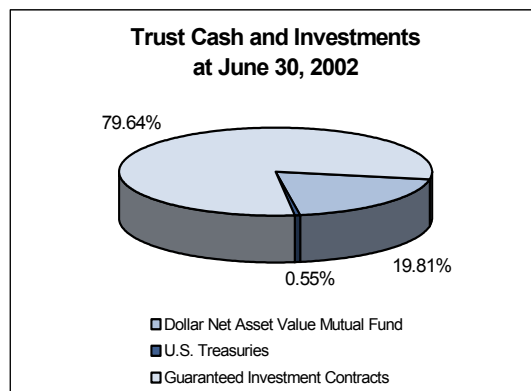
authorized the SRF concept in 1987. Our success over the years in rapidly converting new equity to new loans is now resulting a level of recycled funds that can provide a considerable level of new project financing independent of the stream of new federal capitalization each year. Because it is a relatively new program and the size of the capitalization grants are substantially smaller than those of the Clean Water program. The equity position of the Drinking Water program is less robust. The amount of "free-ups" this program that are contributing to the equity are modest and are anticipated to remain so for several more years.



Other Financial Results

In FY2003 assets of the Trust increased to \$3.6 billion. The amount of bonds payable also rose in conjunction with the issuance of the Pool 8 and MWRA transactions. The Trust disbursed over \$305.5 million in project fund outlays to local governmental units for construction costs. Income was up again this year, another record year. As noted earlier in this report, the Trust is shifting its focus towards “long-term” cash, as much of the Trust’s excess capacity has now been committed. This trend is likely to continue as capitalization sources remain constant or, perhaps, decline in the future.

Our program achievements continued to place us at or near the top in several categories used by EPA to evaluate effectiveness of SRF programs. According to EPA’s Information Management System, for the year ended June 30, 2003, the Trust remained in the top five in the country in the pace of funds used, first in the amount of funds provided to borrowers as a percentage of federal grant funds, and first in the number of projects financed. The Trust was in the top six in four other categories. The Trust continues to be recognized by the EPA as one of the model SRF programs in the country.



Cash Management and Risk Financing

In FY2003, the Trust experienced a net outflow of cash and cash equivalents of nearly \$7 million, reducing the total combined cash and cash equivalents (excluding investment contracts) as of June 30 to nearly \$225 million. It is the Trust’s policy to treat all highly liquid investments with maturities of three months or less (other than reserve funds) as cash and cash equivalents, all of which are currently held and fully invested in the Massachusetts Municipal Depository Trust. In this manner, the Trust adheres strictly to a short-term investment policy of investing solely in obligations of the U.S. Treasury and its agencies and instrumentalities, authorized bonds of all states, banker’s acceptances, certificates of deposit, and commercial paper with only the three highest classifications as established by the major rating agencies.



The Trust currently has long-term investments of over \$907 million held in over-collateralized GIC’s and U.S. Treasury securities. These investment contracts provide secure reserves for Trust borrowings and interest subsidies for communities. All of the Trust’s GIC’s include provisions that require collateral be provided in the form of instruments of the U.S. government and its agencies. To date, no default of any sort has occurred on any of the Trust’s GIC’s.

Independent Audit

The Boston office of KPMG LLP completed their sixth audit of the Trust this year. For FY2003, KPMG LLP delivered an unqualified opinion to the Trust. A clean report was also issued in connection with the Schedule of Federal Financial Assistance, or “Single Audit”.

Internal Control Environment and Accounting System

The Trust's internal controls structure provides management with the assurances that:

- financial and other resources are safeguarded against loss from unauthorized use or disposition;
- payrolls, payments, and other transactions are executed in accordance with management authorizations;
- financial and statistical records and reports are accurate and reliable;
- applicable laws, regulations, and policies are adhered to; and
- resources are efficiently and effectively managed.



The Trust employs a fully computerized and integrated accounting system in connection with its internal controls system. The accounting system satisfies the requirements of management to provide timely reporting of financial transactions in accordance with accounting principles generally accepted in the United States of America.

Eighth Consecutive Financial Statements Award

It is an honor to report that the Trust was notified that its 2002 comprehensive annual financial report has once again been awarded the most prestigious award in governmental financial reporting, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The award is the Trust's eighth consecutive citation. This award represents a significant accomplishment by a governmental organization. The financial report submitted is judged by an impartial panel of industry experts and must demonstrate to the judges that the report provides a "spirit of full disclosure" and clearly communicates the financial story of the entity. The Trust is just the sixth recipient of this award in Massachusetts. Only one other SRF in the country has received this recognition.

Environmental Initiatives, Impact, Service Efforts, and Accomplishments During 2003



Clean Water SRF Program

In 2003, the Department of Environmental Protection issued its 11th Clean Water State Revolving Fund Intended Use Plan. The Intended Use Plan is a list of projects and the fundable portion of the Annual Project Priority List. The IUP lists the top-rated projects eligible for SRF loans to use the annual program funding capacity. Each year, DEP requests municipalities to submit Project Evaluation Forms for water quality problems and solutions determined at the local level to be priority capital expenditures. Over the last several years, the Trust has led the nation by funding an increasingly expansive variety and significantly growing volume of projects. The Trust's creative fund management and the DEPs innovative program management have combined to create the fastest funding pace with the broadest range of project types in the nation. The sophisticated funding mechanism of the Trust uses high leveraging ratios and accelerated loan recycling to increase capital funds for innovative projects and stressed municipal budgets. The DEPs expanded project eligibilities have allowed communities to seek capital funds to solve water pollution problems beyond the traditional wastewater

management facilities. This year's report will center on how two separate state agencies have combined skills to coordinate funding and projects to meet the evolving challenges municipalities are required to address by the EPA under the Clean Water Act.

On the following page, a three-year ranking of program indicator data compiled by EPA in the SRF National Information Management System reveals that Massachusetts is the only state listed among these leading EPA program indicators for the last three consecutive fiscal years. The long-term goal of the SRF program is to facilitate municipal compliance with the Clean Water Act (CWA). The CWA's goal is to stop water pollution. The Commonwealth's objective is to create an aggressive low-cost funding source with flexible program eligibilities to provide the municipality the opportunity to comply with the CWA using innovative technology. A measurement of that goal is the SRF program's ability to keep pace with the federal funding and programmatic flexibility provided to communities to use low-cost financing and agile program options to solve a range of water quality improvement funding problems. On a national scale, the Commonwealth of Massachusetts has set the pace against which all other state programs are measured.

The volume of CWSRF dollars has risen rapidly due to the Trust's aggressive leveraging and recycling mechanisms. The ability of the Trust to generate and manage capital and the DEPs ability to develop and manage projects has generated \$2.5 billion in program capacity through 2003. The Commonwealth's SRF program ranks third in dollar volume among the nation's fifty state programs and is only the 14th largest recipient of EPA funds.



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EPA National Information Management System State Comparison

Fund Utilization (Loans Made as a Percent of Funds Available)

Rank	FY01 (Percent)	
1	Arizona	113
2	Massachusetts	112
3	New Hampshire	107
4	Kansas	105
5	Florida	104

National Average 91

Rank	FY02 (Percent)	
1	Wisconsin	114
2	Kansas	109
3	Massachusetts	106
4	California	105
5	Connecticut	104

91

Rank	FY03 (Percent)	
1	Rhode Island	179
2	Wisconsin	117
3	Mississippi	108
4	New Hampshire	107
5	Arizona	105
6	New York	104
7	Florida	102
8	Massachusetts	101

93

Assistance Provided (Loans Made as a Percent of Cap Grants)

Rank	FY01 (Percent)	
1	Massachusetts	334
2	Alabama	319
3	Minnesota	299
4	Texas	299
5	Connecticut	282

National Average 187

Rank	FY02 (Percent)	
1	Massachusetts	340
2	Connecticut	322
3	Alabama	309
4	Kansas	304
5	Minnesota	296

198

Rank	FY03 (Percent)	
1	Rhode Island	449
2	Massachusetts	353
3	Minnesota	326
4	Alabama	312
5	Connecticut	308

209

Gross Dollars Loaned

Rank	FY01 (Million \$)	
1	New York	4,928
2	Texas	2,919
3	Massachusetts	2,297
4	California	2,117
5	Ohio	1,814

National Average 672

Rank	FY02 (Million \$)	
1	New York	5,808
2	Texas	3,058
3	Massachusetts	2,519
4	California	2,404
5	Ohio	2,075

759

Rank	FY03 (Million \$)	
1	New York	6,417
2	Texas	3,144
3	Massachusetts	2,770
4	California	2,742
5	Ohio	2,305

852

Loans Made (Number of Projects Funded)

Rank	FY01	
1	Ohio	995
2	Massachusetts	896
3	Minnesota	782
4	New York	671
5	Delaware	645

National Average 219

Rank	FY02	
1	Ohio	1,299
2	Massachusetts	967
3	Minnesota	895
4	New York	764
5	Delaware	750

250

Rank	FY03	
1	Ohio	1,484
2	Massachusetts	1,030
3	Minnesota	1,020
4	Delaware	832
5	New York	820

278

Disbursements

Rank	FY01 (Million \$)	
1	New York	4,747
2	Texas	2,842
3	California	1,763
4	Massachusetts	1,676
5	Ohio	1,337

National Average 560

Rank	FY02 (Million \$)	
1	New York	5,621
2	Texas	2,996
3	California	1,980
4	Massachusetts	1,911
5	Ohio	1,535

638

Rank	FY03 (Million \$)	
1	New York	6,291
2	Texas	3,054
3	California	2,257
4	Massachusetts	2,166
5	Ohio	1,730

713

Nonpoint Source Funding

Rank	FY01 (Million \$)	
1	New York	502
2	California	182
3	Massachusetts	136
4	New Hampshire	89
5	Ohio	82

National Average 27

Rank	FY02 (Million \$)	
1	New York	601
2	California	189
3	Massachusetts	138
4	Ohio	111
5	New Hampshire	95

32

Rank	FY03 (Million \$)	
1	New York	638
2	California	189
3	Massachusetts	140
4	Ohio	128
5	New Hampshire	98

34

CSO Funding

Rank	FY01 (Million \$)	
1	Michigan	723
2	Illinois	479
3	New York	377
4	California	176
5	Massachusetts	137

National Average 49

Rank	FY02 (Million \$)	
1	Michigan	902
2	Illinois	485
3	New York	445
4	Massachusetts	203
5	California	182

57

Rank	FY03 (Million \$)	
1	Michigan	967
2	Illinois	562
3	New York	510
4	Rhode Island	287
5	Massachusetts	286

70

Storm Sewers Funding

Rank	FY01 (Million \$)	
1	Massachusetts	42
2	Florida	23
3	North Dakota	12
4	Colorado	11
5	South Dakota	9

National Average 3

Rank	FY02 (Million \$)	
1	Massachusetts	82
2	Florida	37
3	North Dakota	12
4	South Dakota	11
5	New Jersey	11

4

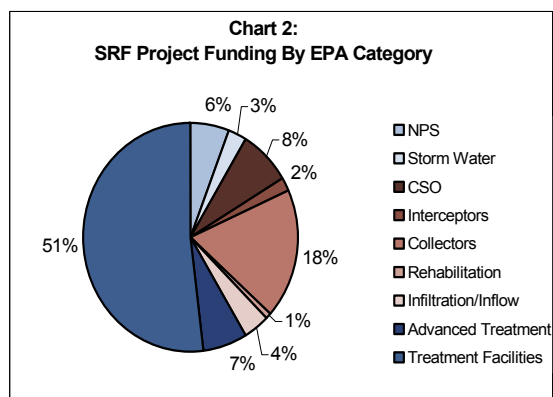
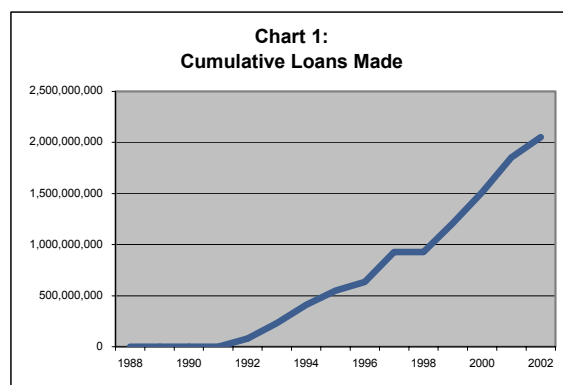
Rank	FY03 (Million \$)	
1	Massachusetts	87
2	Florida	52
3	New Jersey	14
4	South Dakota	13
5	North Dakota	12

4

Source: 2003 EPA National Information Management System Data. Published November 2003.

As the funds available for projects have risen at a rapid rate, the loans made are keeping up with the program's funding capacity. Between the years 1991 and 1997, the CWSRF program funded \$927 million in loans under DEP regulations promulgated at the onset of the program (see Chart 1). From 1998 to 2001, the Trust made \$926 million in loans under a revised set of DEP SRF regulations. The new regulations enabled the DEP to close the gap between the potential capacity for loans and actual loans issued. The Trust was able to accelerate the lending pace by loaning the same amount of dollars under the revised DEP regulations

four years sooner than the same volume under the original regulations. In 2002, the Trust made an additional \$200 million in loans, pushing the aggregate program total over \$2 billion. The dramatic change of pace also allowed the expansion of program eligibilities into Non-Point Source (NPS), Combined Sewer Overflow (CSO), and Stormwater Management (SWM). Other benefits include development of a rigorous program schedule that shortened the implementation of a project by as much as one year and an additional focus on requiring project proponents to maintain the project schedule.

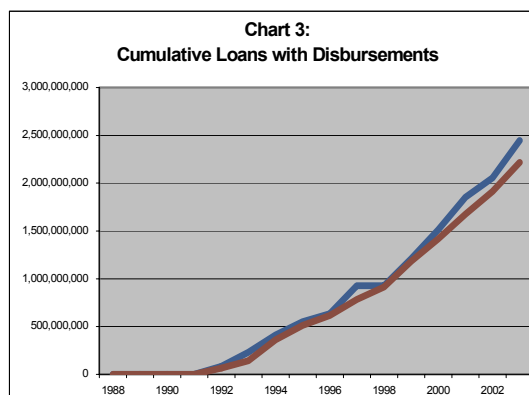


The combination of funding pace and expanded eligibilities moved the municipal use of SRF funds in many directions. Chart 2 demonstrates the expansiveness of the Commonwealth's priority setting process and the flexibility of the project evaluation review. The SRF priority setting process is geared towards funding the worst water quality problems. Water quality degradation and the severity of the threat to public health are the key components of DEP's project evaluation. Between 1991 and 1997, 100% of the SRF priority projects were related to treatment plants or ancillary treatment facilities such as sewer pipes and large interceptors. As shown in chart 2, NPS,

CSO, and SWM have grown to represent a combined 17% of SRF funds available to address municipal water quality problems.

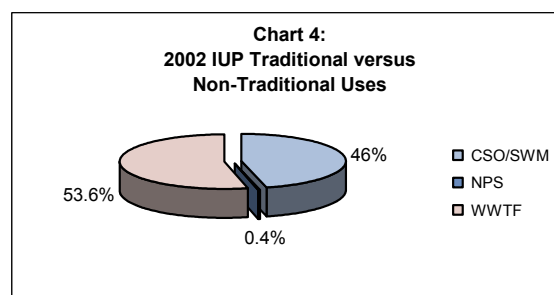
Underlying all the programmatic success is the ability of the Trust and the DEP to work jointly to keep pace with the enormous volume of loans. Chart 3 illustrates how rapidly the projects funded with SRF loans moved beyond the \$2 billion milestone. The top line is the cumulative volume of loans made ramping-up from 1991, with a lower comparative line of cumulative disbursements made to borrowers from those loans during the same time period. There are several reasons for the narrow gap between the dollar amount of loans made and the dollar volume of disbursements. This trend is partially due to the DEP regulatory requirement that any project requiring more than a 24-month building phase must be funded on a yearly basis. This has enabled the DEP to plan projects on a cash-flow basis each year, thus allowing many smaller, less time-consuming projects to proceed sooner. Since 1998, the IUP has on average redistributed \$50 million of SRF funds from large to small projects. That accumulates into \$200 million in reallocated project funds in just four IUPs.

The gap is also narrowed by the joint commitment of the Trust and the DEP to the SRF borrowers to process payments in less than ten days. This rapid payment process, coupled with a fast-track construction procurement approval review, a construction management system that requires monthly project inspections, and rapid turnaround on change order requests and closeout documentation, quickens the pace of the projects. Furthermore, most states typically require SRF borrowers to seek third-party interim project financing during construction, while the SRF waits for the end of construction to provide the permanent funding source. This results in the typical SRF loan being committed to the borrower years before funds are disbursed and repayments begin. Alternatively, the Commonwealth program provides the interim loan as well as the permanent loan. The construction finance relationship fosters both a consistent cash flow in the contract management aspect of the project, as well as much-needed monitoring of the project from DEP construction experts to drive the timely completion of the project. The result is a construction phase that achieves an average 3% savings on the total volume of loans and an average construction project term of just over two years. This has the beneficial effect of recovering at least 3% of every IUP within three years. Over the last ten IUPs, the department has saved nearly \$60 million dollars in this manner, dollars that have been recycled back into the program as equity for new loans.



The 2002 CWSRF IUP continued the expansiveness and flexibility of the project evaluation process. The majority (54%) of the \$208 million in Trust funds available for the DEP projects approved during FY02 was earmarked for traditional municipal wastewater treatment plants and ancillary facilities. DEP approved funding for wastewater treatment facility projects in Nantucket, Winchendon, and Amesbury. All of these projects had received initial approval from previous CWSRF IUPs and were deemed multi-year projects as described above. New treatment projects were approved for first year funding in Bellingham, Marion, Douglas, and Stockbridge.

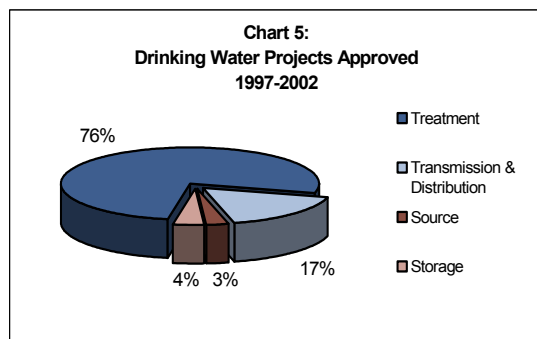
The remaining 46% of the \$208 million in IUP funds were allocated to municipal pollution problems such as Non Point Source pollution, Combined Sewer Overflows (CSO) and Stormwater Management (SWM). A quick review of the previously displayed EPA NIMS data will demonstrate that the Commonwealth is the national leader in funding SWM and ranks in the top five for CSO and NPS funding.



The Clean Water Act prohibits sewer overflows due to rain events. Large sewer systems, such as the Massachusetts Water Resources Authority (MWRA) and the cities of New Bedford, Lynn, Haverhill, Fall River, and Springfield, that have complied with the secondary treatment requirement of the Clean Water Act are now working with the SRF program to secure funds to pay for the costly separation of sewerage and storm water that currently cause untreated overflows into the Commonwealth's harbors and rivers. All of these communities and districts have received initial SRF loan funding for CSO construction. The complicated and labor-intensive work for these systems and other smaller systems will require \$750 million over the next ten years.

The increased volume of SRF funds available has allowed environmental managers to expand the type of projects eligible for funding through the program. As a result, municipalities are using a wider array of technologies to solve pollution problems in their water.

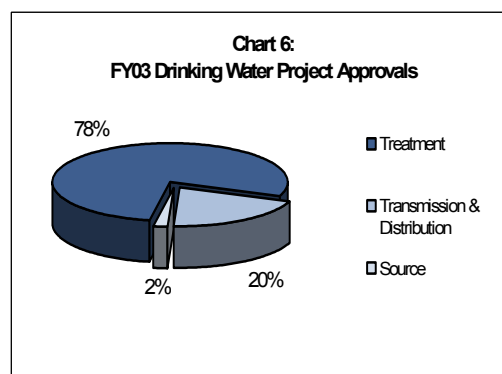
Safe Drinking Water SRF Program



The Drinking Water SRF program has issued its fifth IUP since its authorization in 1997. A total of \$258,717,622 in projects has been approved in that time. The IUP process is identical to the CWSRF with Safe Drinking Water Act criteria driving the project evaluation process. The DWSRF program typically funds four types of projects: treatment filtration construction and upgrade, transmission pipeline construction, storage, and new source development. The primary focus of the program is to assist communities in reaching the standards for water treatment set forth in the Safe Drinking Water Act. Since

1997, the MWRA, Fitchburg, Brockton, and Fall River – four of the five largest water suppliers in the state – have participated in the program. In addition, the program has continued to achieve the goal to use 10% of the funds available to assist water suppliers with less than a 10,000-population service area.

The 2002 program continues to apply over 75% of available funds for treatment plant construction or upgrade, with 10% of the funds used for small systems. The Drinking Water SRF also funded a variety of set-aside initiatives, such as capacity development, to allow system operators to maintain compliance with the SDWA, wellhead protection assessments, source water delineation, and protection and small system technical assistance.



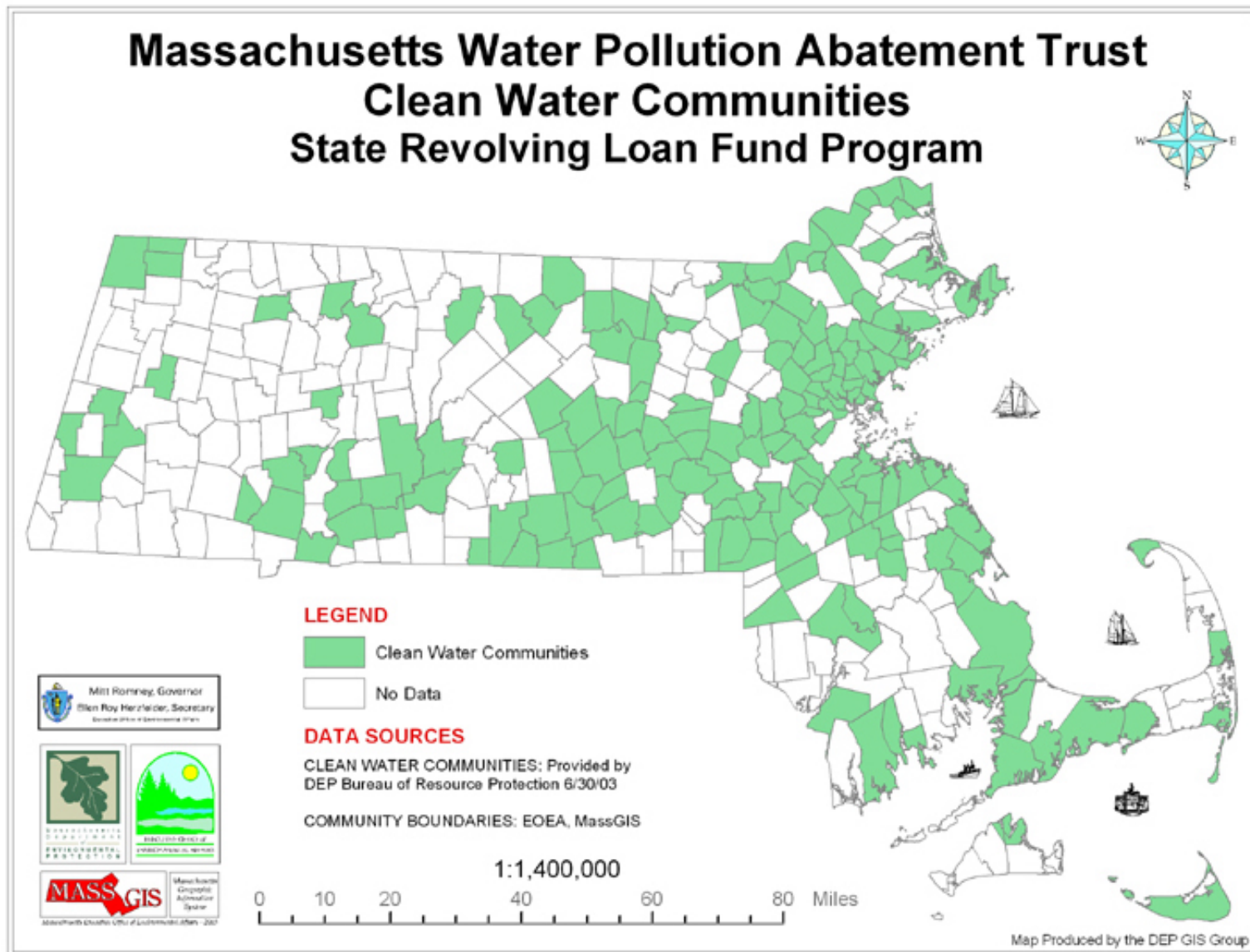
Acknowledgments

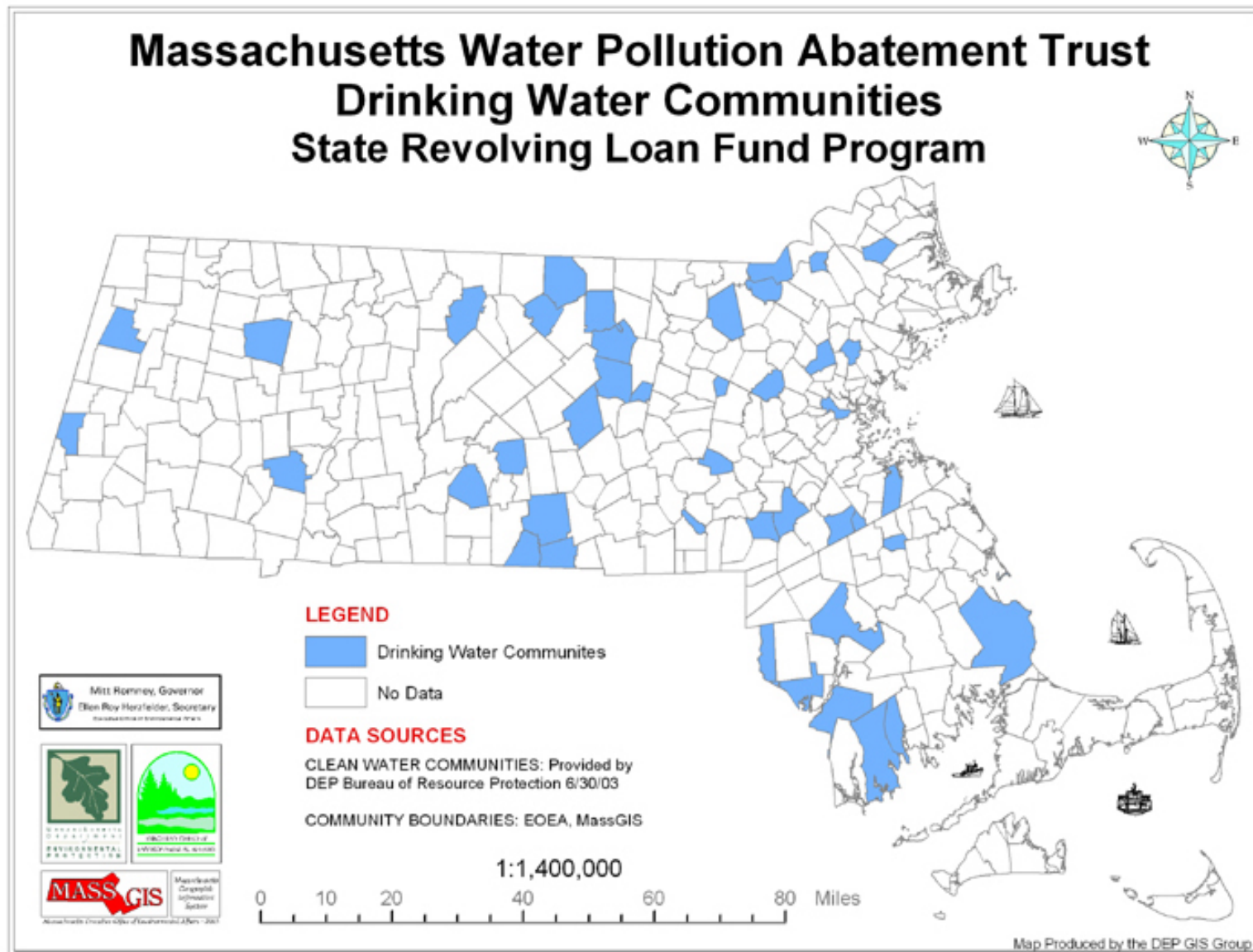
This report, as well as all of the activities of the Trust, is the result of the hard work and coordinated efforts of the numerous people who comprise the Trust, as well as our colleagues in other state agencies and the professional experts who assist us. Without these efforts, the Trust could not continue to deliver its programs and financial assistance to the people of the Commonwealth. To this team of professionals – inside and out – our deepest gratitude, and I hope that we can all continue to work together in the upcoming years to provide the support necessary to continue to improve the environment of the Commonwealth through the provision of affordable capital to finance additional important environmental infrastructure projects.

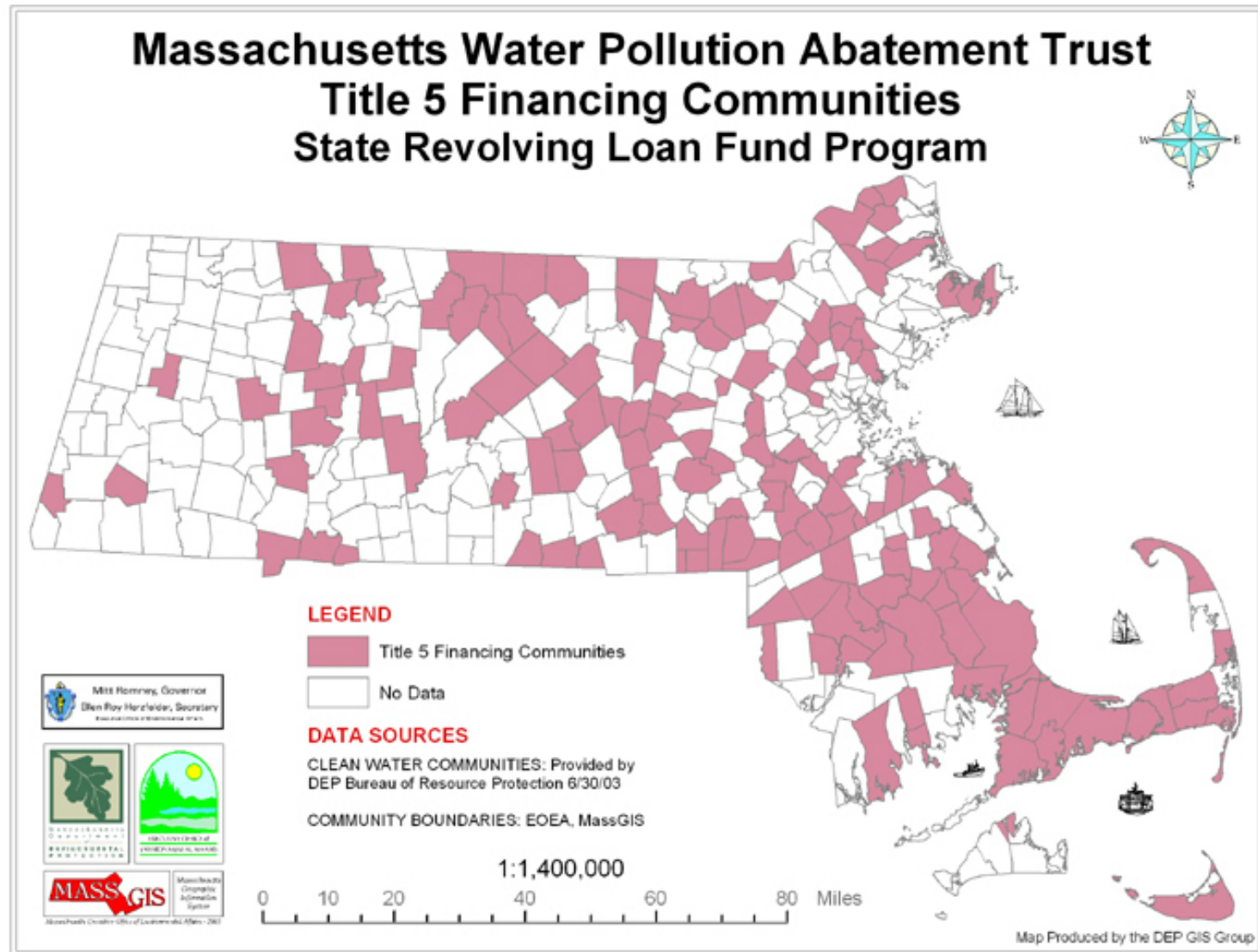
Respectfully submitted,

Nancy E. Parrillo

Nancy E. Parrillo
Treasurer







Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Water Pollution Abatement Trust

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Massachusetts Water Pollution Abatement Trust
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

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99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

The Board of Trustees
Massachusetts Water Pollution Abatement Trust:

We have audited the accompanying basic financial statements of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 25 through 30 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2003, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

We did not audit the information contained in the Introductory and Statistical Sections of this report and, accordingly, do not express any opinion on it.

KPMG LLP

October 30, 2003
Boston, Massachusetts

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and activities of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, for the fiscal years ended June 30, 2003 and 2002. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Financial Highlights – Fiscal 2003

- Assets exceed liabilities by \$1.3 billion, a 5% increase over FY02, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$1.8 billion in FY02 to \$2.1 billion in FY03.
- Net assets increased by \$65 million from last year, a net change of 5%.
- Operating income decreased by \$30.3 million from FY02.
- The statement of cash flows indicates a negative change in cash for the year of \$7.4 million.
- In FY03, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received \$45.0 million for the Clean Water Program and \$28.8 million in the State Drinking Water Program. The Commonwealth provided a match of \$9.1 million for these federally funded programs. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, thus allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard & Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AA+ – AAA	Aaa	
New Bedford Loan Program	AA – AAA	Aaa (insured) Aa3 (underlying)	
South Essex Sewerage District Loan Program	AA	Aaa	

Financial Highlights – Fiscal 2002

- Assets exceed liabilities by \$1.24 billion, a 7% increase over FY01, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$1.7 billion in FY01 to \$1.8 billion in FY02.
- Net assets increased by \$78.5 million from last year, a net change of 7%.
- Operating income decreased by \$17.0 million from FY01.
- The statement of cash flows indicates a negative change in cash for the year of \$8.6 million.

**MASSACHUSETTS WATER
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(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

- In FY02, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received \$52.3 million for the Clean Water Program and \$5.7 million in the State Drinking Water Program. The Commonwealth provided a match of \$10.5 million for the Clean Water program. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.

Overview of Financial Statements

The financial section of this report consists of the following parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements.

The Trust's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government enterprise funds. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statements of net assets presents information on the assets and liabilities of the Trust. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the strength or deterioration of the financial health of the Trust.

The statements of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues and expenses of the Trust for the fiscal year. The difference – increase or decrease in net assets – then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statements of cash flows reports activity of cash and cash equivalents during the fiscal year resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year. This statement is prepared using the direct method of presentation which allows the reader to easily discern the amount of cash received from grantors, borrowers and financial institutions and how much cash was disbursed to borrowers, suppliers and bondholders.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

Financial Analysis of the Trust

Net Assets

The Trust's net assets at June 30, 2003 were approximately \$1.3 billion, a 5% increase over the prior year (see Table A-1). Total assets increased 16% to \$3.6 billion, and total liabilities increased 23% to \$2.3 billion.

The Trust's net assets at June 30, 2002 were approximately \$1.2 billion, a 7% increase over the prior year (see Table A-1). Total assets increased 3% to \$3.1 billion, and total liabilities increased 2% to \$1.8 billion.

Table A-1
Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	2003	2002	2001	Percentage Change 2003 – 2002	Percentage Change 2002 – 2001
Current assets	\$ 676,854	591,341	589,258	14%	0%
Loans receivable, long term	1,966,473	1,706,689	1,644,786	15%	4%
Other	911,835	777,206	739,418	17%	5%
Total assets	\$ 3,555,162	3,075,236	2,973,462	16%	3%
Current liabilities	\$ 157,806	139,273	140,726	13%	(1)%
Long-term debt	1,983,986	1,663,989	1,611,775	19%	3%
Other	108,568	32,044	59,491	239%	(46)%
Total liabilities	\$ 2,250,360	1,835,306	1,811,992	23%	1%
Net assets:					
Restricted	\$ 1,109,261	1,026,312	903,256	8%	14%
Unrestricted	195,541	213,618	258,214	(8)%	(17)%
Total net assets	\$ 1,304,802	1,239,930	1,161,470	5%	7%

Notwithstanding a declining interest rate environment, the Trust achieved higher interest income than earned in FY02. This was due to successful bids on the Guaranteed Investment Contracts necessary to support the Pool 8 and MWRA transactions and by moving our idle, free cash that is used to make interim loans from the Massachusetts Municipal Depository Trust (MMDT) into more lucrative tax-exempt, short-term instruments that had much higher yields. All of the Trust investment activities are subject to the Treasurer and Receiver General's investing policy.

Long-Term Debt

The Trust incurs long-term debt in order to generate funds for communities for their construction projects under the Clean Water and Drinking Water programs. This debt is offset by the loans receivable carried on the Trust's

**MASSACHUSETTS WATER
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(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

Statements of Net Assets as the debt service requirements of this debt are secured by loan repayments by the borrowers and investment and Commonwealth subsidies.

In FY03, the Trust's long-term debt position increased by \$397 million to \$2.1 billion. This increase is the net change in long-term debt due to the issuance of the Pooled Loan Program, Series 8 issue of \$266.9 million and the MWRA Loan Program, Series 2002A of \$124.8 million which was totally earmarked for new construction funding. The Trust also retired an additional \$73.1 million of outstanding principal through regular payments to bondholders.

Table A-2
Changes in the Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>Percentage Change 2003 – 2002</u>	<u>Percentage Change 2002 – 2001</u>
Operating revenues:					
Interest income	\$ 124,223	118,210	114,593	5%	3%
Other	<u>3,219</u>	<u>2,918</u>	<u>5,621</u>	10%	(93)%
Total operating revenues	<u>127,442</u>	<u>121,128</u>	<u>120,214</u>	5%	1%
Operating expenses:					
Interest expense	111,194	92,515	83,948	20%	9%
Grant disbursements	25,405	—	—	100%	0%
Program support	19,332	19,795	14,434	(2)%	27%
Other	<u>2,790</u>	<u>7,791</u>	<u>3,780</u>	(64)%	51%
Total operating expenses	<u>158,721</u>	<u>120,101</u>	<u>102,162</u>	32%	15%
Operating income	<u>(31,279)</u>	<u>1,027</u>	<u>18,052</u>	(3,146)%	(1,658)%
Nonoperating (expenses) revenues:					
Operating grants	13,202	9,584	10,522	38%	(10)%
Capitalization grants	82,949	67,849	107,661	22%	(59)%
Other	<u>—</u>	<u>—</u>	<u>(180)</u>	0%	0%
Total nonoperating income	<u>96,151</u>	<u>77,433</u>	<u>118,003</u>	24%	(52)%
Change in net assets	64,872	78,460	136,055	(17)%	(73)%
Total net assets, beginning of year	<u>1,239,930</u>	<u>1,161,470</u>	<u>1,025,415</u>	7%	12%
Total net assets, end of year	<u>\$ 1,304,802</u>	<u>1,239,930</u>	<u>1,161,470</u>	5%	6%

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
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Required Supplementary Information
Management's Discussion and Analysis

The increase in operating revenues from 2002 to 2003 by 5% is due primarily to three factors. First, the Trust experienced a 5% increase in interest income, which is primarily the result of the increased cash and investments generated through the issuance of the Pool 8 and MWRA debt and realignment of investments due to market conditions. The second factor was a 10% increase in other income due to a increase in Loan Administration fees as a result of the new fees from the Pool 8 and MWRA issuances being implemented even as some principal balances were being reduced through loan repayments. Third, there was an increase in loan origination fees generated from Interim Loans because the Pool 8 was issued later in the construction season and communities required "bridge" financing to get them through construction as they waited for the Trust to do its next bond issue. Nonoperating revenues decreased by 9% due to the timing of and receipt of EPA capitalization grants and disbursements against those grants.

Operating expenses increased by 32% due to the increase in interest expense which is due to the issuance of the Pool 8 and MWRA bonds and the grants disbursed to local borrowers.

The increase in operating revenues from 2001 to 2002 by 1% is due primarily to three factors. First, the Trust experienced a 3 % increase in interest income, which is primarily the result of the increased cash and investments generated through the issuance of the Pool 7 debt and realignment of investments due to market conditions. The second factor was a 93% decrease in other income due to a decrease in Loan Administration fees as a result of principal balances being reduced while the new fees from the Pool 7 issuance had not yet been implemented. As the Pool 7 debt included funds for refunding, the Trust was not able to assess the borrowers a reimbursement of Cost of Issuance costs. Third, a decrease in loan origination fees generated from Interim Loans because Pool 7 was issued early in the construction season and communities did not require "bridge" financing to get them through construction, waiting for the Trust to do its next bond issue. Nonoperating revenues decreased by 35% due to the timing of and receipt of EPA capitalization grants.

Operating expenses increased by 15% due to the increase in interest expense which is due to the issuance of the Pool 7 bonds. The 27% increase in Program Support was primarily due to the Department of Environmental Protection focusing on finalizing existing contracts with outside vendors, thus processing the final contingency invoices on these contracts.

Loans Receivable

Subsidized financing has been an important incentive for many communities to undertake water and sewer infrastructure improvement projects. Since the enactment of Chapter 95 of the Acts of 1995, which raised the level of loan subsidy on a prospective basis, the Trust has experienced a major increase in of loan activity.

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Required Supplementary Information
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As the result of state legislation that was enacted early in FY01, the subsidy levels for projects first appearing on an Intended Use Plan (IUP) in calendar year 2002 or later will be reduced. Rather than the current interest rate of approximately 0%, loans for those projects will be made at a rate of 2%. This increase in the interest rate is linked to a decision whereby the Trust will provide additional capacity for loans by leveraging its equity by a 3:1 ratio in the future rather than at the current standard ratio of 2:1. With the change in leveraging ratio, the Trust expects to be able to provide almost 50% more financing for eligible projects. Despite the increase in cost to each borrower, the Commonwealth's projected commitment to provide subsidy funding through contract assistance payments is expected to continue to grow, but at a much slower rate, since the Trust will be able to provide more capital to borrowers due to the change in the leveraging ratio. Even with this effective reduction in the subsidy levels offered to the communities, the program continued to expand, with the Trust's loan receivables increasing \$245.0 million to \$2.07 billion, a net change of 12%.

Future Economic Factors

In August 2002, the Commonwealth enacted Chapter 276 of the Acts of 2002. Sections 4 and 5 of the Act providing for \$46.5 million in matching capitalization funds for the Federal Clean and Drinking Water programs for the fiscal years of 2003 to 2007.

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Massachusetts Water Pollution Abatement Trust for those with an interest in the agency. Any further questions regarding any of the information contained within this report may be directed to the Executive Director or the Treasurer at One Ashburton Place, 12th Floor, Boston, MA 02108.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Assets

June 30, 2003 and 2002

(In thousands)

	<u>2003</u>	<u>2002</u>
Assets:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 225,511	232,943
Short-term investments (note 3)	182,697	56,297
Grants receivable:		
U.S. Environmental Protection Agency	76,563	99,442
Commonwealth of Massachusetts	18,150	20,650
Loans receivable, current (note 5)	119,861	134,645
Accrued interest receivable	52,807	46,287
Loan servicing fees receivable	1,265	1,077
Total current assets	<u>676,854</u>	<u>591,341</u>
Noncurrent assets:		
Loans receivable, long-term (note 5)	1,966,473	1,706,689
Long-term investments (note 3)	907,298	774,565
Other assets	4,537	2,641
Total assets	<u>3,555,162</u>	<u>3,075,236</u>
Liabilities:		
Current liabilities:		
Accrued expenses	360	332
Accrued interest payable	44,515	38,191
Grants payable (note 7)	9,302	—
Current portion of loan commitments	16,384	27,700
Current portion of long-term debt (note 6)	87,245	73,050
Total current liabilities	<u>157,806</u>	<u>139,273</u>
Noncurrent liabilities:		
Loan commitments	95,837	31,193
Grants payable	11,614	—
Accrued interest on capital appreciation bonds	1,117	851
Long-term debt, net (note 6)	1,983,986	1,663,989
Total liabilities	<u>2,250,360</u>	<u>1,835,306</u>
Net assets:		
Restricted (note 8)	1,109,261	1,026,312
Unrestricted (note 8)	195,541	213,618
Commitments and contingencies (note 9)		
Total net assets	<u>\$ 1,304,802</u>	<u>1,239,930</u>

See accompanying notes to basic financial statements.

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POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2003 and 2002
(In thousands)

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Loan servicing fees	\$ 2,837	2,508
Loan origination fees	382	410
Interest income	124,223	118,210
Total operating revenues	<u>127,442</u>	<u>121,128</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	19,332	19,795
General and administrative	2,682	1,674
Arbitrage rebate payments	108	6,117
Grant disbursements	25,405	—
Interest expense	111,194	92,515
Total operating expenses	<u>158,721</u>	<u>120,101</u>
Operating (loss) income	<u>(31,279)</u>	<u>1,027</u>
Nonoperating revenue:		
Operating assistance:		
U.S. Environmental Protection Agency	5,349	1,584
Commonwealth of Massachusetts	7,853	8,000
Capitalization grant revenue (expense):		
U.S. Environmental Protection Agency capitalization grants	73,749	57,963
Commonwealth of Massachusetts matching grants	9,200	9,886
Total nonoperating revenue	<u>96,151</u>	<u>77,433</u>
Increase in net assets	64,872	78,460
Beginning of year net assets	<u>1,239,930</u>	<u>1,161,470</u>
End of year net assets	<u>\$ 1,304,802</u>	<u>1,239,930</u>

See accompanying notes to basic financial statements.

**MASSACHUSETTS WATER
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(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years ended June 30, 2003 and 2002
(In thousands)

	2003	2002
Cash flows from operating activities:		
Cash received from customers	\$ 3,031	2,909
Cash received from borrowers	134,645	89,871
Interest received	117,703	116,964
Loans and grants disbursed to recipients	(332,703)	(233,157)
Cash paid to suppliers	(20,664)	(27,031)
Interest paid	(104,603)	(90,950)
Net cash used for operating activities	(202,591)	(141,394)
Cash flows from capital and related financing activities:		
Proceeds from USEPA capitalization grants	96,628	49,967
Proceeds from Commonwealth matching capitalization grants	11,700	12,386
Net cash used by capital and related financing activities	108,328	62,353
Cash flows from noncapital financing activities:		
Bonds proceeds	407,788	321,805
Repayment of bonds	(73,050)	(263,090)
Operating assistance from U.S. EPA	5,349	1,584
Operating assistance from Commonwealth of Massachusetts	7,853	8,000
Net cash provided by noncapital financing activities	347,940	68,299
Cash flows from investing activities:		
Purchases of investments	(1,072,209)	(1,536,271)
Proceeds from sales of investments	811,100	1,538,432
Net cash (used) provided by noncapital financing activities	(261,109)	2,161
Net decrease in cash and cash equivalents	(7,432)	(8,581)
Cash and cash equivalents, beginning of year	232,943	241,524
Cash and cash equivalents, end of year	\$ 225,511	232,943
Reconciliation of operating income to net cash used by operating activities:		
Operating income	\$ (31,279)	1,027
Adjustments to reconcile operating income to net cash used for operating activities:		
Amortization	1,428	597
Changes in operating assets and liabilities:		
Loans receivable	(245,000)	(106,677)
Accrued interest receivable	(6,520)	(1,246)
Loan servicing fees receivable	(188)	(9)
Other assets	(1,896)	929
Accrued expenses	28	(42)
Accrued interest payable	6,592	1,565
Deferred revenue	—	(1,515)
Grants payable	20,916	—
Loan commitments	53,328	(36,023)
Net cash used for operating activities	\$ (202,591)	(141,394)

See accompanying notes to basic financial statements.

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Notes to Financial Statements

June 30, 2003 and 2002

(1) Organization

The Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), was created by Chapter 275 of the Acts of 1989 of the Commonwealth (the Act) to implement the State Revolving Fund (the SRF) Program for the Commonwealth, contemplated by Title VI of the Federal Clean Water Act (the CWA). The Trust is a state authority and is governed by a board of trustees consisting of the State Treasurer, the Secretary of the Executive Office for Administration and Finance, and the Commissioner of the Department of Environmental Protection (the DEP).

The financial and management activities of the Trust are administered by employees of the State Treasurer's office. The project oversight and direction is provided by the DEP. Certain financial oversight is provided by the Executive Office for Administration and Finance. The Trust commenced operations in June 1990. The long-term goals of the Trust include creating and implementing an SRF program that provides a source of financing for water pollution abatement projects (the projects). Construction of projects on the National Municipal Policy List, the cleanup of Boston Harbor, and the correction of combined sewer overflows (CSO) are prime focuses for the federal SRF Program.

The Trust is authorized by the Act to borrow money through the issuance of revenue bonds and to apply the proceeds thereon, together with federal and state capitalization grants and other funds made available to the Trust, to make loans to local governmental units to finance the costs of eligible water pollution abatement projects (the Leveraged Loan Program).

During fiscal 1993, the legislature enacted an amendment to the Act. This law, Chapter 203 of the Acts of 1992 (Chapter 203), states that all eligible loans made by the Trust can have subsidies that accomplish a grant equivalency of 25%. This amendment further directs that certain projects on the DEP's Intended Use Plan prior to 1992 should receive higher subsidy levels.

Chapter 203 also reduces the total authorization for Commonwealth general obligation bonds for the Trust from \$1.3 billion to \$122 million. State matching funds for the federal SRF and reserve funds for the Commonwealth SRF continue to be funded through a general obligation bond source. However, all subsidy contributions now come from a Commonwealth Contract Assistance Agreement that is provided through the Commonwealth's annual operating budget and cannot exceed \$26 million in any one fiscal year. This has the net effect of reducing authorized Commonwealth debt while still ensuring funding for a perpetual state revolving fund.

During fiscal 1994, the Trust established an Interim Loan Program and a Small Direct Loan Program for local government units' borrowing needs. The Interim Loan Program provides temporary short-term financing to local government units that are to be subsequently refinanced through permanent leveraged loans. The Small Direct Loan Program finances single small projects where leveraged loans would not be financially feasible for the local government units.

During fiscal 1996, the Commonwealth approved an amendment to Chapter 29C of the General Laws to provide a subsidy or other assistance equivalent to a grant of 50% of the eligible costs of the project

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financed by the loan. The amendment is applicable for all loans issued after October 1, 1995. This amendment provides additional subsidy levels of up to \$8 million annually.

Amendments to the federal Safe Drinking Water Act adopted in 1996 provide for the establishment of additional state revolving fund programs to provide financial assistance to various community water systems (including for-profit companies) and not-for-profit noncommunity water systems for expenditures that will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Safe Drinking Water Act. The Safe Drinking Water Act and draft regulations and other guidance issued by the United States Environmental Protection Agency contemplate that state revolving fund programs established in accordance with the Safe Drinking Water Act will operate under terms and conditions substantially similar to programs developed under the federal Clean Water Act. In addition, the amendments to the Safe Drinking Water Act provide Authority for the consolidation of a Safe Drinking Water Act revolving fund with a Clean Water Act revolving fund for purposes of investment and the issuance of, and security for, bonds.

During fiscal 1998, the Trust created a new fund to account for the receipts and disbursements in conjunction with the Commonwealth's Title V regulations. The Community Septic Management Program Fund is the recipient of amounts bonded for in the Third Pooled Loan Program Financing on April 29, 1997 and the Fourth Pooled Loan Program Financing on December 9, 1998. It also is used for pass-through assistance payments from the Commonwealth to communities to fund administrative costs in setting up loan programs to homeowners at the community level.

The Enabling Act was amended by the Massachusetts legislature on April 2, 1998 to authorize the Trust to establish a revolving fund program under the Safe Drinking Water Act.

In fiscal year 2000, the State legislature passed new legislation which changed the level of subsidies on Trust loans from the 50% grant equivalency level to a flat 2% interest rate to be charged on loans for new projects appearing on the calendar year 2002 intended use plan, going forward. This was in order to mitigate step increases in contract assistance commitments by the Commonwealth while the Trust could increase its leveraging capacity from 2:1 to 3:1 in an effort to get more money to more projects the local level.

(2) Summary of Significant Accounting Policies

The accounting policies of the Trust conform to generally accepted accounting principles as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

(a) Basis of Presentation

The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's requirements for an enterprise fund. Operating revenues and expenses are generated through the issuance of loans to local government units within the Commonwealth. All other revenues and expenses are reported as nonoperating revenues and expenses.

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Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Trust has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

The Trust's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

(c) Investments

Investments are carried at fair value. Where applicable, fair values are based upon quotations from national security exchanges.

Under the Massachusetts Water Pollution Abatement Trust Program Resolutions (the Resolutions), as amended and supplemented at various bond sale dates, the Trust must maintain certain investment funds in the Federal SRF Loan Program and Commonwealth SRF Loan Program with State Street Bank & Trust Company (the Trustee). The types of funds held by the Trustee are in the following accounts:

Equity Accounts – The Equity Fund consists of cash and cash equivalents which are currently held at the Massachusetts Municipal Depository Trust (MMDT). The Equity Fund is comprised of both a federal program account and a Commonwealth program account and can be used for programmatic costs and operating expenses within the Federal SRF Loan Program or Commonwealth SRF Loan Program, as applicable. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the Federal SRF Loan Program; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the Federal SRF Loan Program or Commonwealth SRF Loan Program; (4) direct loan repayment; (5) interest earnings on investment or deposits of amounts held in the Equity Fund; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Resolutions.

Interim Loan Accounts – The Interim Loan Fund has been established to fund temporary loans in anticipation of permanent leveraged borrowings. The source of funds is the Equity Fund.

Project Accounts – The Project Funds disburse bond proceeds to borrowers as needed. These funds are restricted by the bond resolutions and are to be applied solely to the payment or refinancing of costs associated with the applicable project. When all costs have been paid, any amounts remaining unexpended in the Project Funds can be applied to the repayment of the applicable loan service to bondholders. The monies are derived from semiannual loan repayments, which include payments from borrowers, interest earnings on the Debt Service Reserve Funds, and Commonwealth contract assistance payments.

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Debt Service Reserve Accounts – Debt Service Reserve Funds consist of reserve requirements equal to 50% of the principal amount outstanding on Clean Water bonds and 40% on Drinking Water bonds. For bonds issued for finance loans authorized on the current year 2002 intended use plan and moving forward, the debt service reserve fund requirement drops to 33.33% of the outstanding principal. In accordance with each bond resolution, amounts are transferred from the Equity Fund to the particular Debt Service Reserve Funds. Interest earnings on the Debt Service Reserve Funds are transferred to their corresponding Revenue Fund and used for debt service payments.

Debt Service Accounts – Debt Service Funds are used as a pass-through of principal and interest from the Revenue Funds to the bondholders. The Debt Service Funds are also used to hold accrued interest on the bonds to be applied to pay a portion of the interest due on the bonds.

(d) Capital Assets

The Trust's capital asset capitalization policy conforms with the Commonwealth's threshold of \$15,000. As of June 30, 2003 and 2002, the Trust did not have any capital assets.

(e) Loan Origination Fees and Costs of Issuance

Fees received and certain direct costs incurred, relating to the origination of loans, have been deferred and are included with loans receivable in the accompanying balance sheets. Loan origination fees and costs are amortized over the life of the loans to which the fees and costs relate using the level-yield method. Origination fees charged to leveraged borrowers are capped at the estimated costs of leveraged transactions as proposed in the Trust's administrative budget and allocated to all borrowers, excluding the Title V program.

(f) Risk Financing

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management and project oversight activities are provided by employees of the State Treasurer's Office, DEP, and the Executive Office for Administration and Finance. These employees are covered under the Commonwealth's workers' compensation and group insurance programs. The cost of these programs is allocated to the Trust, through the fringe benefit allocation. As described in note 4, the Trust is only allowed to expend up to 4% of the federal capitalization grant on program administration costs; therefore, any costs in excess of this amount will be borne by the Commonwealth. As a result, no liability for workers' compensation or group insurance has been recorded by the Trust.

(g) Capitalization Grants

Funding from federal capitalization grants and state matching grants are recorded as nonoperating revenues.

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(h) Other Assets

Other assets consist of the unamortized portion of bond issue costs, which are amortized using the straight-line method over the life of the bonds, and deferred charges, which are “unreclassified” state appropriations for matching funds that are allocated to administrative costs.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Deposits and Investments

Cash, cash equivalents, and investments are separately held by several of the Trust’s funds.

(a) Cash and Cash Equivalents

The Trust’s cash and cash equivalents, \$225,511 and \$232,943, as of June 30, 2003 and 2002, respectively, represent units purchased in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns and other state and local agencies within the Commonwealth. The Trust’s fair value of its investment in the MMDT represents their value of the pool’s share. For purposes of risk organization, MMDT shares are not categorized.

(b) Investments

Trust management invests primarily in U.S. government securities and guaranteed investment contracts.

The Trust’s investments are categorized below, indicating the level of risk assumed by the Trust at year-end. Category 1 includes investments insured or registered in the Trust’s name or securities held by the Trust or its agent (State Street Bank and Trust Company) in the Trust’s name. Category 2 includes investments uninsured and unregistered with securities held by the broker’s or dealer’s trust department or agent in the Trust’s name. Category 3 includes investments uninsured and unregistered with securities held by the broker or dealer, or by its trust department or agent, but not in the Trust’s name.

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June 30, 2003 and 2002

(In thousands)				Total fair value
June 30, 2003				
Category				
1	2	3		
Uncategorized guaranteed investment contracts:				
Long term	\$ 907,298	—	—	907,298
Short term	182,697	—	—	182,697
	<u>\$ 1,089,995</u>	<u>—</u>	<u>—</u>	<u>1,089,995</u>

(In thousands)				
June 30, 2002				
	Category			Total fair value
	1	2	3	
U.S. Treasury Bonds	\$ 6,281	—	—	6,281
Uncategorized guaranteed investment contracts:				
Long term	768,284	—	—	768,284
Short term	56,297	—	—	56,297
	\$ 830,862	—	—	830,862

(4) Capitalization Grants

The operating agreements for the federal capitalization grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant. Federal grant payments are received by the Trust in the form of an automated clearing house account. For financial statement purposes, federal capitalization grants and the 20% state matching grants has been recognized in the Federally Capitalized SRF for the amount of executed loan agreements and binding commitments.

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The Federal Safe Drinking Water Program and the Federally Capitalized Community Hardship Loan Program have different allocation percentages. For the Federal Safe Drinking Water Program, each grant year has a different allocation based on the amount of federal set-asides used. An additional 20%, or \$5.7 million was matched from required state matching funds, already on hand at the Trust. All draws for project costs and for reserve funding must maintain this proportionality under the Federal Safe Drinking Water Act. For the 2003 and 2002 grant years, the proportionality is determined as follows:

Clean water program	Grant year	
	2003	2002
Federal capitalization	\$ 44,968,770	52,262,998
State match on federal funds (20%)	9,052,599	10,452,599
Total capitalization	54,021,369	62,715,597
Less federally mandated "set-asides"	(1,810,520)	(2,090,520)
Project capitalization	\$ 52,210,849	60,625,077
Federal proportionality	80%	80%
State proportionality	20%	20%

Drinking water program	Grant year	
	2003	2002
Federal capitalization	\$ 28,780,400	5,700,000
State match on federal funds (20%)	5,757,580	—
Total capitalization	34,537,980	5,700,000
Less federally mandated "set-asides"	(5,634,864)	(5,700,000)
Project capitalization	\$ 28,903,116	—
Federal proportionality	80%	0%
State proportionality	20%	0%

The Federally Capitalized Community Hardship Loan Program has an 85% federal funding portion. The remaining 15% is funded from services provided "in-kind" by the DEP to either the EPA or to the borrower. This loan program was completed in fiscal year 2003 with the final disbursement to Hinsdale to complete their clean water project.

The Clean Water State Revolving Fund Loan Program is unchanged from previous years. The total federal award and the state matching funds of 20% are reduced by 4% for an administrative allowance. The total amount available for financing is net of this allowance.

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(5) Loans Receivable and Bonds Purchased

The Trust issued a total of eighty-nine loan or bond purchase agreements during fiscal 2003. An additional thirty-three loans were disbursements under the Community Septic Management Program Fund. Pursuant to agreements with the EPA, bond purchase agreements are used for communities involved in extended financing. Of the eighty-nine agreements, seven were issued as 30-year bond purchase agreements to the towns of Kingston and West Boylston, as well as the Massachusetts Development Finance Authority for a total of \$40.3 million.

A summary of these receivables as of June 30, 2003 and 2002 is as follows (amounts in thousands):

	<u>2003</u>	<u>2002</u>
Leveraged loans or bonds purchased	\$ 2,053,050	1,744,192
Direct loans	22	1,121
Interim loans	<u>33,262</u>	<u>96,021</u>
	2,086,334	1,841,334
Current portion	<u>119,861</u>	<u>134,645</u>
Long-term portion	<u>\$ 1,966,473</u>	<u>1,706,689</u>

Aggregate principal maturities on loans receivable or bonds purchased are as follows (amounts in thousands):

2004	\$ 119,861
2005	88,945
2006	90,110
2007	92,680
2008	94,840
Thereafter	<u>1,599,898</u>
	<u>\$ 2,086,334</u>

Subsidy payments to be applied to repayments from borrowers include interest earnings provided by Debt Service Reserve Funds and contract assistance provided to the Trust by the Commonwealth. Both of these subsidies are expected to be available for the lives of the financing agreements. For the leveraged bond purchase program, pursuant to an agreement with the Commonwealth, subsidies are drawn in an amount as if the financing was for a twenty-year period. The amount that is not currently needed is invested at the applicable bond yield until funds are needed for subsidies beyond year 20, similar to an annuity. If subsidy funds are not available, the obligation of the borrower is increased by such shortfall.

The agreement requires the borrower to pay the Trust an annual or semiannual servicing fee equal to 0.15% or 0.075%, respectively, of the principal obligation outstanding on the applicable date. As of

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June 30, 2003 and 2002

June 30, 2003, all borrowers have opted for the semiannual payment schedule. None of these fees are capitalized as part of a borrower's obligation to the Trust.

(6) Bonds Payable

The following is a summary of bonds payable at June 30, 2002 and 2003 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 10,610	—	1,420	9,190	1,350
Series 1993B, 4.3% to 5.25%, issued January '6, 1994, due 2000 to 2014	7,915	—	855	7,060	830
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	9,260	—	905	8,355	895
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	17,030	—	1,375	15,655	1,355
Series 2002A, 3.0% to 5.25%, issued October 15, 2002, due 2003 to 2032	—	124,800	—	124,800	3,105
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	10,800	—	1,185	9,615	1,155
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	11,645	—	1,130	10,515	1,095
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	17,265	—	1,815	15,450	1,760
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	38,810	—	5,015	33,795	4,450

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	\$ 19,440	—	3,095	16,345	3,250
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	54,225	—	6,815	47,410	6,970
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	136,625	—	7,220	129,405	7,355
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	252,180	—	10,675	241,505	10,870
Series 6, 4.5% to 5.66%, issued November 6, 2000, due 2001 to 2030	329,570	—	12,575	316,995	13,265
Series 7, 3.0% to 5.25%, issued July 15, 2001, due 2001 to 2021	318,780	—	8,945	309,835	9,905
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	—	266,885	—	266,885	9,085
Subordinated Revenue					
Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	117,935	—	2,260	115,675	2,415
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	384,335	—	7,765	376,570	8,135
Subtotal	1,736,425	391,685	73,050	2,055,060	87,245
Less unamortized amounts:					
Bond premium	9,708	16,103	1,955	23,856	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	(9,476)	—	(1,791)	(7,685)	—
Total bonds payable	\$ 1,736,657	407,788	73,214	2,071,231	87,245

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The following is a summary of bonds payable at June 30, 2001 and 2002 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 12,095	—	1,485	10,610	1,420
Series 1993B, 4.3% to 5.25%, issued January '6, 1994, due 2000 to 2014	8,790	—	875	7,915	855
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	10,185	—	925	9,260	905
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	18,425	—	1,395	17,030	1,375
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	62,840	—	52,040	10,800	1,185
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	71,390	—	59,745	11,645	1,130
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	19,140	—	1,875	17,265	1,815
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	60,320	—	21,510	38,810	5,015
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	43,105	—	23,665	19,440	3,095
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	112,585	—	58,360	54,225	6,815
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	143,720	—	7,095	136,625	7,220

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	\$ 262,040	—	9,860	252,180	10,675
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	341,430	—	11,860	329,570	12,875
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2002 to 2021	—	321,805	3,025	318,780	8,945
Subordinated Revenue Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	120,045	—	2,110	117,935	2,260
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	391,600	—	7,265	384,335	7,765
Subtotal	1,677,710	321,805	263,090	1,736,425	73,350
Less unamortized amounts:					
Bond premium	—	9,302	(406)	9,708	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	—	(8,879)	597	(9,476)	—
Total bonds payable	\$ <u>1,677,710</u>	<u>322,228</u>	<u>263,281</u>	<u>1,736,657</u>	<u>73,350</u>

All bonds are payable from amounts pledged pursuant to the Water Pollution Abatement Project Bond Resolutions, which include payments by the local governmental units of principal and interest on the loans and amounts on deposit in the Debt Service Reserve Funds. Pursuant to the Commonwealth Assistance Contract (the Contract), the Commonwealth has agreed to provide Contract Assistance payments to the Trust to reduce the payments by local governmental units. The Contract is not pledged as security for the bonds; however, the Contract Assistance payments, when received by the Trust, are pledged as security for the bonds.

In October 2002, the Trust issued \$124.8 million of MWRA Program Bonds, Series 2002A. This was issued to finance projects of the MWRA's capital improvement program to upgrade waste water treatment facilities to eliminate pollution from unlawful sewage discharges as part of a federal court-ordered environmental protection program for Boston Harbor and to improve its drinking water treatment and distribution system.

**MASSACHUSETTS WATER
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Notes to Financial Statements

June 30, 2003 and 2002

In November 2002, the Trust issued \$266.9 million of Pool Loan Program, Series 8. This was issued to fund under water pollution abatement projects and drinking water projects under Federal Programs across the 74 communities and special districts.

In July 2001, the Trust issued \$321.8 million of Water Pollution Abatement Revenue Bonds Pool Loan Program Series 7. This issue included \$198.3 million of refunding bonds and \$123.5 million of funds for new Clean Water and Drinking Water program projects. The proceeds of the refunded debt were deposited into a refunding trust escrow to defease \$195.9 million of previously issued debt. The advance refunding resulted in a difference between the reacquisition price and the carrying amount of the defeased Bonds and a decrease in the corresponding Pool loans and the South Essex Sewerage District (SESD) loans of \$8.9 million and resulted in an economic gain of \$6.5 million. This difference decreased the outstanding bonds of the Trust and the corresponding loans receivable from the SESD and the various borrowers included in Pools 1, 2 and 3.

Scheduled future debt service payments are as follows (amounts in thousands):

	Total debt service	Principal	Interest
Year ending June 30:			
2004	\$ 191,560	87,245	104,315
2005	189,464	88,945	100,519
2006	186,660	90,110	96,550
2007	188,763	92,680	96,083
2008-2012	182,558	94,840	87,718
2013-2017	866,446	499,405	367,041
2018-2022	719,835	487,700	232,135
2023-2027	474,022	359,780	114,242
2028-2031	216,070	172,850	43,220
2029-2033	89,260	81,505	7,755
	<u>\$ 3,304,638</u>	<u>2,055,060</u>	<u>1,249,578</u>

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Notes to Financial Statements

June 30, 2003 and 2002

At June 30, 2003, the outstanding balances of bonds defeased “in-substance” in prior years is as follows (amounts in thousands):

Description	Redemption date	Outstanding principal amount	
		2003	2002
MWRA Loan Program:			
Series 1993A	November 3, 1999	\$ 79,485	82,360
Series 1993B	November 3, 1999	52,250	54,930
Series 1995A	November 3, 1999	55,410	57,760
Series 1998A	November 3, 1999	92,720	95,620
New Bedford Loan Program:			
Series 1996A	December 23, 1998	94,100	99,060
South Essex Sewage District Loan Program:			
Series 1994A	July 15, 2001	47,095	50,830
Series 1996A	July 15, 2001	53,570	56,125
Pool Loan Program:			
Pool 1	July 15, 2001	16,530	16,530
Pool 2	July 15, 2001	20,720	20,720
Pool 3	July 15, 2001	51,695	51,695

(7) Grants Payable

Grants payable of \$20,916 represent amounts related to bond premiums received in connection with bond issuances that will be distributed to pool borrowers to assist them in their completion of their water pollution abatement or drinking water projects.

(8) Net Assets

As of June 30, 2003, the Trust has restricted net assets in the amount of \$1,109,261 and unrestricted net assets in the amount of \$195,541. Restricted net assets represent capitalization grants received cumulative to date from the U.S. Environmental Protection Agency and corresponding matching amounts received from the Commonwealth of Massachusetts. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

**MASSACHUSETTS WATER
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Notes to Financial Statements

June 30, 2003 and 2002

(9) Commitments

As of June 30, 2003, the Trust has agreed to provide loans to various local government units amounting to approximately \$33 million, excluding loans to be disbursed, which will be funded or collateralized with grant awards received through June 30, 2003.

(10) Subsequent Events

On October 10, 2003, the Trust issued \$311.9 million of Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 9. The bonds were issued to fund water pollution abatement projects and drinking water projects under their federal programs.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
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Combining Financials Statements and Schedule
Year ended June 30, 2003
(With comparative totals as of June 30, 2002)

Federally Capitalized State Revolving Fund – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding. The fund also is used to account for receipts and disbursements for loan and bond transactions not accounted for in the Commonwealth Capitalized SRF.

Commonwealth of Massachusetts Capitalized State Revolving Loan Fund – is used to account for amounts received and expended from Commonwealth Capitalized SRF.

General Operations Fund – is used to account for amounts received and expended for the general and administrative costs not applicable to the other three accounts.

Community Septic Management Fund – is used to account for amounts received and expended for the purpose of funding loans and assistance payments to eligible communities under the Commonwealth's Title V regulations.

Federally Capitalized Safe Drinking Water State Revolving Fund – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by the Safe Drinking Water Act of 1996, along with amounts received and expended from the required state matching of federal funding.

Commonwealth Capitalized Drinking Water Subsidy Fund – is used to account for amounts received and expended in the form of Commonwealth pass-through subsidies for local governments. The projects that are subsidized are federally eligible under the Safe Drinking Water Act, but were set aside from the Federally Capitalized Safe Drinking Water State Revolving Fund under Chapters 88 and 226 of the Acts of 1997. No Federal funds are received and expended in this fund.

Federally Capitalized Community Hardship Loan Program – is used to account for amounts received and expended under the Federal Omnibus Recissions and Appropriations Act of 1996 (Public Law 104-134), earmarked for designated hardship communities within the Commonwealth.

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
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Combining Statement of Net Assets

June 30, 2003 (With Comparative Totals as of June 30, 2002)

(Amounts in Thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2003	6/30/2002
Assets									
Current Assets									
Cash and cash equivalents	\$ 116,695	7,560	627	21,727	78,597	285	20	225,511	232,943
Short-term investments	147,412	—	—	8,627	26,658	—	—	182,697	56,297
Grants receivable:									
U.S. Environmental Protection Agency	64,463	—	—	—	12,042	—	58	76,563	99,442
Commonwealth of Massachusetts	—	—	—	18,150	—	—	—	18,150	20,650
Loans receivable, current	86,096	2,029	—	14,182	17,551	—	3	119,861	134,645
Accrued interest receivable	43,477	1,020	238	555	7,516	—	1	52,807	46,287
Loan servicing fees receivable	—	—	1,265	—	—	—	—	1,265	1,077
Total current assets	458,143	10,609	2,130	63,241	142,364	285	82	676,854	591,341
Noncurrent Assets									
Loans receivable, long-term	1,655,759	24,445	—	23,362	262,896	—	11	1,966,473	1,706,689
Long-term investments	784,613	13,237	8,000	—	101,448	—	—	907,298	774,565
Other assets, long-term	365	—	4,172	—	—	—	—	4,537	2,641
Total Assets	2,898,880	48,291	14,302	86,603	506,708	285	93	3,555,162	3,075,236
Liabilities									
Current Liabilities									
Accrued expenses	331	—	29	—	—	—	—	360	332
Accrued interest payable	37,748	605	—	506	5,656	—	—	44,515	38,191
Grants Payable	9,302	—	—	—	—	—	—	9,302	—
Current portion of loan commitments	7,230	—	—	4,525	4,629	—	—	16,384	27,700
Current portion of long-term debt	71,090	2,029	—	1,276	12,850	—	—	87,245	73,050
Total current liabilities	125,701	2,634	29	6,307	23,135	—	—	157,806	139,273
Noncurrent Liabilities									
Loan commitments	69,733	—	—	4,085	22,019	—	—	95,837	31,193
Grants payable	11,614	—	—	—	—	—	—	11,614	—
Accrued interest on capital appreciation bonds	1,053	—	—	64	—	—	—	1,117	851
Long-term debt, net	1,670,765	24,445	—	22,289	266,487	—	—	1,983,986	1,663,989
Total Liabilities	1,878,866	27,079	29	32,745	311,641	—	—	2,250,360	1,835,306
Net Assets									
Restricted	862,483	19,849	130	31,699	194,846	—	254	1,109,261	1,026,312
Unrestricted	157,531	1,363	14,143	22,159	221	285	(161)	195,541	213,618
Total Net Assets	\$ 1,020,014	21,212	14,273	53,858	195,067	285	93	1,304,802	1,239,930

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Combining Schedule of Revenues, Expenses and Changes in Net Assets
June 30, 2003 (With Comparative Totals as of June 30, 2002)

(Amounts in Thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2003	6/30/2002
Operating Revenues:									
Loan servicing fees	—	—	2,837	—	—	—	—	2,837	2,508
Loan origination fees	—	—	382	—	—	—	—	382	410
Interest Income	106,064	1,616	343	1,402	14,796	3	1	124,223	118,210
Total operating revenues	106,064	1,616	3,561	1,402	14,796	3	1	127,442	121,128
Operating Expenses:									
Commonwealth of Massachusetts – Department of Environmental Protection – programmatic support costs	6,363	—	—	129	4,987	7,853	—	19,332	19,795
General and administrative	597	—	2,085	—	—	—	—	2,682	1,674
Arbitrage rebate payments	108	—	—	—	—	—	—	108	6,117
Grant disbursements	25,405	—	—	—	—	—	—	25,405	0
Interest expense	86,671	2,021	—	7,358	15,145	—	—	111,194	92,515
Total operating expenses	119,144	2,021	2,085	7,486	20,132	7,853	—	158,721	120,101
Operating Income (Loss)	(13,080)	(406)	1,476	(6,084)	(5,336)	(7,850)	1	(31,279)	1,027
Nonoperating Revenue:									
Operating Grant Revenue:									
U.S. Environmental Protection Agency	—	—	—	5,349	—	—	—	5,349	1,584
Commonwealth of Massachusetts	—	—	—	—	—	7,853	—	7,853	8,000
Capitalization Grant Revenue:									
U.S. Environmental Protection Agency capitalization grants	44,969	—	—	—	28,780	—	—	73,749	57,963
Commonwealth of Massachusetts matching grants	9,200	—	—	—	—	—	—	9,200	9,886
Total nonoperating revenue	54,169	—	—	5,349	28,780	7,853	—	96,151	77,433
Increase in Net Assets	41,089	(406)	1,476	(735)	23,444	3	1	64,872	78,460
Beginning of Year Net Assets	978,925	21,618	12,797	54,593	171,623	282	92	1,239,930	1,161,470
End of Year Net Assets	1,020,014	21,212	14,273	53,858	195,067	285	93	1,304,802	1,239,930

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Combining Statement of Cash Flows

June 30, 2003 (With Comparative Totals as of June 30, 2002)

(Amounts in Thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2003	6/30/2002
Cash flows from operating activities:									
Cash received from customers	—	—	3,031	—	—	—	—	3,031	2,909
Cash received from borrowers	81,638	1,999	—	21,423	29,572	—	13	134,645	89,871
Interest received	102,569	1,654	188	1,549	11,742	—	1	117,703	116,964
Loans disbursed to recipients	(215,390)	—	—	(23,382)	(93,926)	4	(9)	(332,703)	(233,157)
Cash paid to suppliers	(5,522)	—	(3,123)	(129)	(4,037)	(7,853)	—	(20,664)	(27,031)
Interest paid	(82,034)	(2,063)	—	(7,284)	(13,222)	—	—	(104,603)	(90,950)
Net cash used for operating activities	(118,739)	1,590	96	(7,823)	(69,871)	(7,849)	5	(202,591)	(141,394)
	(118,739)				(69,871)				
Cash flows from capital and related financing activities:									
Proceeds from U.S. EPA capitalization grants	88,279	—	—	—	8,349	—	—	96,628	49,967
Proceeds from Commonwealth matching capitalization grants	9,200	—	—	2,500	—	—	—	11,700	12,386
Net cash used by capital and related financing activities	97,479	—	—	2,500	8,349	—	—	108,328	62,353
Cash flows from noncapital financing activities:									
Bonds proceeds	292,647	—	—	4,746	110,395	—	—	407,788	321,805
Repayment of bonds	(61,494)	(1,999)	—	(942)	(8,615)	—	—	(73,050)	(263,090)
Operating assistance from U.S. EPA	—	—	—	5,349	—	—	—	5,349	1,584
Operating assistance from Commonwealth of Massachusetts	—	—	—	—	—	7,853	—	7,853	8,000
Net cash provided by noncapital financing activities	231,153	(1,999)	—	9,153	101,780	7,853	—	347,940	68,299
Cash flows from investing activities:									
Purchases of investments	(924,455)	(8,734)	(830)	(9,131)	(129,059)	—	—	(1,072,209)	(1,536,271)
Proceeds from sales of investments	679,377	9,733	—	13,123	108,867	—	—	811,100	1,538,432
Net cash provided by noncapital financing activities	(245,078)	999	(830)	3,992	(20,192)	—	—	(261,109)	2,161
Net change in cash and cash equivalents	(35,185)	590	(734)	7,822	20,066	4	5	(7,432)	(8,581)
Cash and cash equivalents, beginning of year	151,880	6,970	1,361	13,905	58,531	281	15	232,943	241,524
Cash and cash equivalents, end of year	116,695	7,560	627	21,727	78,597	285	20	225,511	232,943
Reconciliation of operating (loss) to net cash (used) by operating activities:									
Operating income	(13,080)	(406)	1,476	(6,084)	(5,336)	(7,850)	1	(31,279)	1,027
Adjustments to reconcile operating income to net cash used for operating activities:									
Amortization	597	—	831	—	—	—	—	1,428	597
Changes in operating assets and liabilities:									
Loans receivable	(172,857)	1,999	—	3,941	(78,096)	—	13	(245,000)	(106,677)
Accrued interest receivable	(3,497)	39	(155)	147	(3,054)	—	—	(6,520)	(1,246)
Loan servicing fees receivable	—	—	(188)	—	—	—	—	(188)	(9)
Other assets	—	—	(1,896)	—	—	—	—	(1,896)	929
Accrued expenses	—	—	28	—	—	—	—	28	(42)
Accrued interest payable	4,622	(42)	—	88	1,923	1	—	6,592	1,565
Deferred revenue	—	—	—	—	—	—	—	—	(1,515)
Grants payable	20,916	—	—	—	—	—	—	20,916	—
Loan commitments	44,560	—	—	(5,915)	14,692	—	(9)	53,328	(36,023)
Net cash used for operating activities	(118,739)	1,590	96	(7,823)	(69,871)	(7,849)	5	(202,591)	(141,394)

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Abington	4	0.5	\$ 6,224
Acton (See Note 10)	5	0.5	508,639
Acushnet	1	See Note (4)	98
Agawam (See Note 11)	5	35%-50%	3,593
Amesbury (See Note 11)	5	0.5	10,486
Amherst	1	See Note (4)	100
Ashburnham (See Note 12)	4	0.5	9,361
Ashfield (See Note 9)	1	0.5	653
Ashland (See Note 9)	2	0.5	11,379
Athol (See Note 12)	4	0.5	2,525
Attleboro (See Note 11)	11	0.5	20,340
Avon	3	See Note (4)	2,586
Ayer	2	See Note (4)	318
Barnstable	12	45%-90%	18,780
Barre	1	See Note (4)	155
Belchertown	5	45%-50%	11,187
Bellingham (See Note 11)	2	0.5	786
Belmont	1	See Note (4)	60
Berlin	1	See Note (4)	135
Bernardston	1	See Note (4)	115
Billerica	1	0.25	3,927
Blackstone	1	See Note (4)	80
Boston (City of)	4	0.5	13,389
Boston Water & Sewer Commission	10	25%-90%	31,660
Bourne	3	25%-90%	1,486
Boxford	1	See Note (4)	296
Boylston	1	See Note (4)	165
Brewster	1	See Note (4)	200
Bridgewater (See Note 11)	2	0.25	396
Brockton	7	50%-75%	6,982
Brookfield	1	See Note (4)	200
Buckland	1	0.5	914
Burlington	1	See Note (4)	50
Cambridge (See Note 9)	11	50%-75%	59,711
Carver	1	0.5	200
Charles River Pollution Control District (See Note 6)	7	50%-75%	15,529
Charlton	3	0.5	18,578
Chatham	1	0.5	442
Chelmsford	7	25%-50%	34,353
Cherry Valley Water District	1	0.5	1,265
Chesterfield	3	See Note (4)	396
Chicopee	2	See Note (4)	5,621
Clarksburg	1	0.5	439
Clinton	1	0.5	9,355
Cohasset	14	50%-75%	21,976
Colrain	2	0.5	118
Concord	1	See Note (4)	163

MASSACHUSETTS WATER
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Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Conway	1	See Note (4)	44
Cool Sandy Beach (See Note 8)	1	0.5	165
Dartmouth (See Note 10)	11	0.5	18,691
Dedham (See Note 9)	4	0.5	3,843
Dennis	1	See Note (4)	346
Dighton	1	See Note (4)	135
Dover	1	See Note (4)	200
Dracut (See Note 11)	5	0.5	10,029
Dracut Water Supply District	1	0.5	937
Dudley (See Note 9)	3	0.5	885
Duxbury (See Note 11)	2	0.5	846
East Bridgewater (See Note 11)	3	0.5	1,760
Eastham	1	0.5	1,461
Easthampton	2	0.5	3,656
Easton	2	See Note (4)	473
Egremont	1	See Note (4)	115
Essex	1	See Note (4)	202
Fairhaven (See Note 11)	2	0.5	618
Fall River (See Note 10)	6	25%-50%	43,048
Falmouth (See Note 10)	3	0.5	3,784
Fitchburg (See Note 9)	3	0.5	20,840
Foxborough (See Note 11)	5	0.5	2,847
Framingham	2	0.25	889
Franklin	1	See Note (4)	33
Gardner (See Note 9)	2	0.5	10,963
Georgetown (See Note 9)	2	0.5	2,642
Gill	1	See Note (4)	43
Gloucester (See Note 11)	10	25%-50%	31,745
Grafton	1	See Note (4)	80
Granby	2	45%-75%	774
Great Barrington	2	0.5	340
Greater Lawrence Sanitary District	3	0.5	1,649
Greenfield (See Note 11)	3	25%-50%	9,207
Groton	1	See Note (4)	100
Halifax	1	See Note (4)	89
Hanover	2	See Note (4)	386
Hardwick	1	See Note (4)	33
Harwich	1	See Note (4)	200
Hatfield (See Note 11)	2	0.5	1,391
Haverhill	8	50%-75%	7,175
Hingham (See Note 11)	3	25%-50%	3,665
Hinsdale (See Note 10)	2	0.5	2,830
Holbrook (See Note 11)	2	0.25	2,714
Holden (See Note 9)	5	0.5	8,098
Holland	1	0.5	185
Holliston	2	0.5	367

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
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Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Hoosac Water Quality District (See Note 7)	2	0.5	2,047
Hopedale Water Department	1	0.5	860
Hopkinton (See Note 11)	4	25%-50%	10,252
Hubbardston	1	See Note (4)	15
Hudson (See Note 11)	3	0.5	1,607
Hull	4	50%-75%	7,428
Ipswich	1	0.5	1,863
Kingston (See Note 10,11)	11	0.5	51,595
Lakeville	1	0.5	250
Lancaster	1	See Note (4)	100
Lanesborough Village Fire & Water District	1	0.5	3,610
Lawrence	3	0.5	11,380
Lee	1	0.5	196
Leicester	1	See Note (4)	191
Lenox	1	0.5	3,106
Leominster (See Note 9)	7	0.5	12,058
Lexington	3	0.35	3,207
Leydon	1	See Note (4)	15
Lincoln	2	0.5	3,984
Littleton	2	0.5	489
Longmeadow	1	See Note (4)	23
Lowell	2	0.5	15,781
Ludlow	1	0.25	2,507
Lunenburg (See Note 11)	4	0.5	2,962
Lunenburg Water District	1	0.5	849
Lynn Water & Sewer Commission (See Note 10)	22	25%-50%	72,977
Lynnfield	1	See Note (4)	182
Manchester by the Sea	3	0.5	8,131
Mansfield	2	0.5	1,633
Marlborough	2	0.5	2,669
Marshfield	3	50%-90%	10,519
MA Development Finance Authority	1	0.5	17,316
Massachusetts Water Resources Authority (See Note 1,9,10)	49	35%-75%	774,340
Mashpee	4	0.5	1,587
Mattapoisett	3	0.5	6,779
Maynard (See Note 11)	4	0.5	5,783
Medfield (See Note 11)	1	0.5	664
Medway	1	See Note (4)	120
Melrose	3	25%-50%	758
Mendon	1	0.5	200
Merrimac (See Note 11)	2	0.5	350
Methuen	2	45%-50%	1,354
Middleborough	2	0.5	778
Millbury	4	25%-50%	6,642
Millville	1	See Note (4)	200

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Milton	2	0.5	877
Montague	3	45%-50%	1,487
Monterey	1	See Note (4)	94
Nahant	1	0.25	112
Nantucket	5	0.25	1,785
Natick	2	See Note (4)	433
Needham (See Note 11)	6	25%-50%	2,862
New Bedford (See Note 10)	5	50%-65%	170,879
Newburyport	2	0.5	724
Newton	6	0.5	16,975
Norfolk	1	0.5	550
North Adams	2	0.5	2,749
North Andover	11	25%-50%	8,584
North Attleborough (See Note 9)	9	25%-50%	9,519
North Brookfield	2	0.5	8,798
North Reading	2	See Note (4)	574
Northampton	1	See Note (4)	94
Northborough (See Note 11)	3	0.5	1,500
Northbridge (See Note 11)	5	0.5	9,348
Norton	3	0.5	3,110
Norwood	2	0.5	1,126
Oak Bluffs	3	0.5	17,400
Orange (See Note 11)	2	0.5	310
Palmer	1	0.5	5,794
Paxton	1	See Note (4)	200
Pembroke	2	0.5	411
Phillipston	1	See Note (4)	148
Plymouth (See Note 12)	11	25%-75%	45,899
Plympton	1	See Note (4)	65
Provincetown (See Note 11)	3	0.5	13,414
Quincy	7	45%-75%	7,449
Randolph	1	0.5	620
Raynham (See Note 11)	5	0.5	12,347
Reading	1	See Note (4)	50
Revere	1	0.25	844
Rockport	1	0.5	143
Rowley	1	See Note (4)	75
Roylston	1	See Note (4)	66
Russell	1	0.9	2,420
Salisbury	2	0.5	2,403
Sandwich	1	See Note (4)	200
Saugus (See Note 11)	4	0.5	1,125
Scituate (See Note 11)	6	0.5	16,629
Seekonk (See Note 9)	3	0.5	6,966
Sharon	1	See Note (4)	396
Shirley	4	0.5	15,332

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Shrewsbury (See Note 11)	2	See Note (4)	726
Shutesbury	1	See Note (4)	200
South Deerfield (See Note 9)	1	0.5	4,249
South Essex Sewerage District (See Note 2)	14	45%-65%	180,960
South Hadley	4	45%-75%	3,511
Southampton (See Note 9)	5	0.5	2,874
Southborough	1	0.5	700
Southbridge (See Note 12)	3	0.5	7,992
Southwick	1	See Note (4)	20
Spencer	1	See Note (4)	200
Springfield	2	25%-50%	5,263
Springfield Water Sewer Commission	4	25%-50%	10,241
Sterling	1	0.5	495
Stoughton	2	See Note (4)	3,215
Sturbridge	3	0.5	7,142
Sunderland	1	See Note (4)	97
Sutton (See Note 11)	3	0.5	932
Swampscott	7	25%-45%	14,750
Swansea Water District	1	0.5	3,026
Taunton (See Note 11)	10	25%-50%	21,773
Templeton (See Note 11)	4	0.5	3,903
Tewksbury	1	0.5	4,596
Tisbury	2	0.5	693
Townsend	1	See Note (4)	196
Truro	1	See Note (4)	150
Tyngsborough	3	0.5	3,870
Upper Blackstone WPAD (See Note 5)	6	0.5	15,877
Upton	1	0.5	5,015
Wakefield	2	See Note (4)	2,685
Walpole (See Note 11)	5	0.5	13,061
Waltham	1	0.25	250
Ware	2	0.5	907
Wareham	6	50%-90%	20,969
Warren Water District	1	0.5	299
Wayland	2	See Note (9)	892
Webster (See Note 11)	5	25%-50%	10,464
West Boylston (See Note 11)	3	See Note (4)	6,610
West Newbury	1	See Note (4)	200
West Stockbridge (See Note 9)	1	0.5	902
Westborough	4	0.5	3,601
Westfield	2	0.5	20,241
Westford	3	See Note (4)	13,909
Westwood	4	25%-50%	6,873
Weymouth	4	0.5	1,402
Whitman (See Note 9)	3	0.5	7,475
Wilmington	1	See Note (4)	110

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Winchendon (See Note 9)	5	0.5	13,163
Winchester	1	See Note (4)	72
Windbrook Acres (See Note 8)	1	See Note (8)	475
Woburn	1	0.5	5,046
Wrentham	2	See Note (4)	415
Yarmouth (See Note 11)	4	45%-90%	26,581
Unallocated Title 5		0.5	9,211
Subtotal	740		\$ 2,946,656
Plus Unallocated Accretion in Capital Appreciation Bonds			597
Total			\$ 2,947,253

- (1) The MWRA is comprised of over 60 cities, towns and special-purpose entities throughout Massachusetts. These communities are as follows:

Arlington	Lynn	Somerville
Ashland	Lynnfield	South Hadley
Bedford	Malden	Southborough
Belmont	Marblehead	Stoneham
Boston	Marlborough	Stoughton
Braintree	Medford	Swampscott
Brookline	Melrose	Wakefield
Burlington	Milton	Walpole
Cambridge	Nahant	Waltham
Canton	Natick	Watertown
Chelsea	Needham	Wellesley
Chicopee	Newton	Weston
Clinton	Northborough	Westwood
Dedham	Norwood	Weymouth
Everett	Peabody	Wilbraham
Framingham	Quincy	Wilmington
Hingham	Randolph	Winchester
Holbrook	Reading	Winthrop
Lancaster	Revere	Woburn
Leominster	Saugus	Worcester
Lexington		

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Supplemental Schedule of Loans By Community

June 30, 2003

(Amounts in Thousands)

- (2) The South Essex Sewerage District serves six cities and towns in Essex County, Massachusetts, including:

Beverly	Marblehead	Peabody
Danvers	Middleton	Salem
- (3) Grant equivalency refers to the financial equivalent of a grant subsidized by the Commonwealth of the amount in excess of 25% of the eligible project costs. A range is quoted in the case of multiple loans. NOTE: Title 5 Loans are zero interest loans, deemed to be a 50% grant equivalency.
- (4) Exclusively Title 5 Disbursements
- (5) The Upper Blackstone Water Pollution Abatement District serves eleven cities and towns in Worcester County, Massachusetts, including:

Auburn	Millbury	Shrewsbury
Boylston	Oxford	West Boylston
Holden	Paxton	Worcester
Leicester	Rutland	
- (6) The Charles River Pollution Control District serves five towns, in Norfolk County, Massachusetts, including:

Bellingham	Medway	Norfolk
Franklin	Millis	
- (7) The Hoosac Water Quality District serves three towns, in Berkshire County, Massachusetts, including:

Clarksburg	North Adams	Williamstown
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- (8) Cool Sandy Beach and Windbrook Acres are privately-owned small drinking water delivery systems located in Central Massachusetts.
- (9) Loan obligation consists of monies from both the Clean Water program AND the Safe Drinking Water program.
- (10) Community has opted for extended, 30 year financing.
- (11) Loan obligation consists of monies from both the Clean Water program AND the Title 5 Program.
- (12) Loan obligation consists of monies from the Clean Water, Safe Drinking Water, and the Title 5 Programs.

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Massachusetts Water Pollution Abatement Trust
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Statistical Section

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Eleven Year Schedule of Revenues and Expenses by Character
For Fiscal Years Ending June 30, 1993 Through June 30, 2003
(Amounts In Thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenues – Operating Revenue:											
Loan Servicing Fees	\$ 2,837	2,508	4,567	1,855	1,520	1,270	1,076	905	735	522	182
Loan Origination Fees	382	410	1,054	1,289	2,207	121	66	66	83	54	15
Interest Income	124,223	118,210	114,593	91,250	76,742	65,300	59,989	37,430	29,583	19,102	3,639
Total Operating Revenue	127,442	121,128	120,214	94,394	80,469	66,691	61,131	38,401	30,401	19,678	3,836
Expenses – Operating Expenses:											
Commonwealth of Massachusetts:											
Department of Environmental Protection:											
Programmatic Support Costs	\$ 19,332	19,795	14,434	14,812	16,084	13,474	7,989	5,223	5,567	5,260	3,889
General and administrative	2,682	1,674	3,780	3,856	1,820	535	552	551	531	421	348
Arbitrage rebate payments	108	6,117	—	—	—	—	—	—	—	—	—
Depreciation:	—	—	—	—	—	—	—	—	—	—	—
Administrative Assets	—	—	—	—	32	8	5	7	5	3	1
Assets Acquired with Contributed Capital	—	—	—	—	—	—	112	224	224	224	224
Grant Disbursements	25,405	—	—	—	—	—	—	—	—	—	—
Interest Expense	111,194	92,515	83,948	64,583	51,581	44,578	39,681	25,406	19,614	14,230	1,960
Total Operating Expenses	158,721	120,101	102,162	83,251	69,517	58,595	48,339	31,411	25,941	20,138	6,422
Income (Loss) Before Operating Transfers	\$ (31,279)	1,027	18,052	11,143	10,952	8,096	12,792	6,990	4,460	(460)	(2,586)
Nonoperating Revenue:											
Operating – Grant Revenue:											
U.S. Environmental Protection Agency	\$ 5,349	1,584	2,522	3,846	6,197	11,111	2,228	2,153	2,165	2,278	2,114
Commonwealth of Massachusetts	7,853	8,000	8,000	8,144	9,801	2,267	5,677	2,990	3,392	2,982	1,774
Capitalization – Grant Revenue:											
U.S. Environmental Protection Agency	73,749	57,963	72,197	140,430	—	—	—	—	—	—	—
Commonwealth of Massachusetts	9,200	9,886	35,464	10,854	—	—	—	—	—	—	—
Total Nonoperating Revenue	96,151	77,433	118,183	163,274	15,998	13,378	7,905	5,143	5,557	5,260	3,888
Increase in net assets	\$ 64,872	78,460	136,235	174,417	26,950	21,474	20,697	12,133	10,017	4,800	1,302

NOTE: For comparison purposes. FY2000 and FY2001 information reflects the implementation of GASB 33 which requires the inclusion of Contributed Capital in Net Income.

MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Schedule of Largest Borrowers by Fiscal Year

For Fiscal Years Ending June 30, 1997 Through June 30, 2003

	June 30, 2003		June 30, 2002		June 30, 2001		June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997	
	Original	% of	Original	% of	Original	% of	Original	% of	Original	% of	Original	% of	Original	% of
	Loan	Total	Loan	Total	Loan	Total	Loan	Total	Loan	Total	Loan	Total	Loan	Total
Local Government Unit	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans
Massachusetts Water Resources Authority	\$ 774,340	26.27%	649,540	26.91%	644,225	46.92%	467,898	35.29%	445,145	42.44%	370,145	41.97%	320,145	36.30%
Acton	508,639	17.26%	28,525	1.18%	15,866	1.16%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
South Essex Sewerage District	180,960	6.14%	180,960	7.50%	180,960	13.18%	170,989	12.90%	169,780	16.19%	169,780	19.25%	169,780	19.25%
New Bedford	170,879	5.80%	168,542	6.98%	168,542	12.28%	162,865	12.28%	162,865	15.53%	150,810	17.10%	150,810	17.10%
Lynn Water & Sewer Commission	72,977	2.48%	43,538	1.80%	43,538	3.17%	38,079	2.87%	22,266	2.12%	16,772	1.90%	16,772	1.90%
Cambridge	59,711	2.03%	59,711	2.47%	59,711	4.35%	20,622	1.56%	17,883	1.70%	17,883	2.03%	17,883	2.03%
Kingston	51,595	1.75%	32,048	1.33%	25,105	1.83%	12,165	0.92%	—	0.00%	—	0.00%	—	0.00%
Plymouth	45,899	1.56%	35,080	1.45%	24,348	1.77%	6,954	0.52%	6,954	0.66%	—	0.00%	—	0.00%
Fall River	43,048	1.46%	20,014	0.83%	20,014	1.46%	18,507	1.40%	14,938	1.42%	7,575	0.86%	6,856	0.78%
Chelmsford	34,353	1.17%	28,728	1.19%	28,728	2.09%	25,045	1.89%	21,139	2.02%	14,399	1.63%	10,787	1.22%
Gloucester	31,745	1.08%	31,745	1.31%	31,745	2.31%	11,480	0.87%	13,061	1.25%	13,005	1.47%	13,005	1.47%
Boston Water & Sewer Commission	31,660	1.07%	31,660	1.31%	31,660	2.31%	26,216	1.98%	31,788	3.03%	32,336	3.67%	32,336	3.67%
Yarmouth	26,581	0.90%	26,581	1.10%	26,581	1.94%	20,861	1.57%	26,381	2.52%	24,929	2.83%	21,244	2.41%
Cohasset	21,976	0.75%	21,976	0.91%	21,976	1.60%	7,812	0.59%	—	0.00%	—	0.00%	—	0.00%
Taunton	21,773	0.74%	13,804	0.57%	13,213	0.96%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Wareham	20,969	0.71%	11,366	0.47%	11,366	0.83%	8,609	0.65%	12,848	1.22%	10,885	1.23%	10,764	1.22%
Fitchburg	20,840	0.71%	20,840	0.86%	20,840	1.52%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Attleboro	20,340	0.69%	20,340	0.84%	20,340	1.48%	14,731	1.11%	15,365	1.46%	11,562	1.31%	10,562	1.20%
Westfield	20,241	0.69%	699	0.03%	699	0.05%	699	0.05%	—	0.00%	—	0.00%	—	0.00%
Barnstable	18,780	0.64%	18,305	0.76%	18,305	1.33%	15,790	1.19%	15,236	1.45%	14,119	1.60%	7,426	0.84%
Dartmouth	18,691	0.63%	15,919	0.66%	15,919	1.16%	15,270	1.15%	10,506	1.00%	—	0.00%	—	0.00%
Charlton	18,578	0.63%	15,163	0.63%	15,163	1.10%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Oak Bluffs	17,400	0.59%	16,843	0.70%	16,843	1.23%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
MA Development Finance Authority	17,316	0.59%	17,316	0.72%	12,657	0.92%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Newton	16,975	0.58%	16,854	0.70%	16,854	1.23%	15,270	1.15%	—	0.00%	—	0.00%	—	0.00%
Scituate	16,629	0.56%	16,629	0.69%	16,629	1.21%	11,938	0.90%	—	0.00%	—	0.00%	—	0.00%
Upper Blackstone WPAD	15,877	0.54%	15,877	0.66%	15,385	1.12%	13,620	1.03%	14,307	1.36%	14,307	1.62%	14,307	1.62%
Lowell	15,781	0.54%	10,283	0.43%	10,283	0.75%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Charles River Pollution Control District	15,529	0.53%	14,861	0.62%	14,861	1.08%	14,162	1.07%	7,765	0.74%	—	0.00%	—	0.00%
Shirley	15,332	0.52%	15,332	0.64%	14,652	1.07%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Total All Others	601,839	20.42%	815,020	33.76%	419,655	30.56%	273,418	20.62%	317,527	30.27%	180,397	20.45%	79,324	8.99%
Totals as of End of Fiscal Year	\$ <u>2,947,253</u>		<u>2,414,099</u>		<u>1,976,663</u>		<u>1,373,000</u>		<u>1,325,754</u>		<u>1,048,904</u>		<u>882,001</u>	

Note: Some Entities had loans during previous fiscal years, but their amounts were included in "Other Loans."

*** For FY 1997, through 2003 "Other Loans" includes approximately \$10 million of unallocated proceeds to fund Title 5 Community Septic System Loans. These loans were identified on 4/29/99. For FY 1999, "Other Loans" includes \$4,892 of unallocated proceeds to fund Title 5.

POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)

Schedule of Population Served by Fiscal Year
For Fiscal Years Ending June 30, 1996 Through June 30, 2003

Trust Loans Outstanding as of June 30, 2003													
Local Government Unit	Permanent / Interim			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Clean Water	Drinking Water	Title 5	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State
Abington	4,107,727	—	—	14,605	0.23%	14,876	0.24%	14,683	0.24%	14,467	0.24%	—	0.00%
Acton	23,946,617	—	—	20,331	0.32%	19,206	0.31%	18,851	0.31%	18,371	0.30%	—	0.00%
Acushnet	—	—	86,966	10,161	0.16%	10,111	0.16%	9,843	0.16%	9,904	0.16%	—	0.00%
Agawam	2,360,499	—	43,483	28,144	0.44%	26,738	0.43%	26,721	0.44%	—	0.00%	—	0.00%
Amesbury	10,104,450	—	40,791	16,450	0.26%	16,076	0.26%	15,784	0.26%	15,980	0.26%	15,980	0.26%
Amherst	—	—	89,465	34,874	0.55%	35,252	0.57%	35,468	0.58%	35,480	0.59%	—	0.00%
Aquarion Water Company	—	1,500,013	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Ashburnham	4,922,300	2,643,549	218,963	5,546	0.09%	5,577	0.09%	5,471	0.09%	—	0.00%	5,756	0.10%
Ashfield	—	576,458	—	1,800	0.03%	1,726	0.03%	—	0.00%	—	0.00%	—	0.00%
Ashland	1,354,239	8,952,153	76,036	*	*	*	*	*	*	*	*	*	*
Athol	225,497	1,894,665	134,205	11,299	0.18%	11,161	0.18%	11,158	0.18%	11,678	0.19%	—	0.00%
Attleboro	34,546,038	—	97,336	42,068	0.66%	39,557	0.64%	39,070	0.64%	38,863	0.64%	38,863	0.64%
Avon	191,532	1,853,131	187,003	4,443	0.07%	4,618	0.08%	4,611	0.08%	—	0.00%	—	0.00%
Ayer	234,954	—	75,000	7,287	0.11%	7,515	0.12%	7,378	0.12%	7,107	0.12%	—	0.00%
Barnstable	13,027,306	—	587,003	47,821	0.75%	45,187	0.74%	43,699	0.72%	—	0.00%	—	0.00%
Barre	—	—	144,927	5,113	0.08%	4,901	0.08%	4,805	0.08%	4,813	0.08%	—	0.00%
Belchertown	9,895,473	—	71,417	12,968	0.20%	11,946	0.19%	11,756	0.19%	—	0.00%	—	0.00%
Bellingham	516,622	—	378,928	*	****	****	****	****	****	****	****	—	0.00%
Belmont	—	—	53,815	*	*	*	*	*	*	*	*	*	*
Berlin	—	—	177,369	2,380	0.04%	2,400	0.04%	2,332	0.04%	—	0.00%	—	0.00%
Bernardston	—	—	90,199	2,155	0.03%	2,087	0.03%	2,091	0.03%	2,016	0.03%	—	0.00%
Billerica	2,553,220	—	—	38,981	0.61%	39,594	0.64%	38,861	0.64%	—	0.00%	—	0.00%
Blackstone	—	—	71,208	8,804	0.14%	8,386	0.14%	8,270	0.14%	8,468	0.14%	—	0.00%
Boston (City Of)	11,766,331	—	—	*	*	*	*	*	*	*	*	*	*
Boston Water & Sewer Comm	22,445,548	—	—	*	*	*	*	*	*	*	*	*	*
Bourne	829,140	—	387,003	18,721	0.29%	18,007	0.29%	17,529	0.29%	—	0.00%	—	0.00%
Boxford	—	—	223,678	7,921	0.12%	9,041	0.15%	8,550	0.14%	7,112	0.12%	—	0.00%
Boylston	—	—	148,062	****	***	***	***	***	***	***	***	—	0.00%
Brewster	—	—	287,003	10,094	0.16%	9,637	0.16%	—	0.00%	—	0.00%	—	0.00%
Bridgewater	143,257	—	373,932	25,185	0.40%	24,536	0.40%	23,692	0.39%	—	0.00%	—	0.00%
Brockton	4,379,443	1,436,297	—	94,304	1.49%	93,173	1.52%	92,324	1.52%	—	0.00%	—	0.00%
Brookfield	—	—	129,866	3,051	0.05%	2,940	0.05%	2,915	0.05%	—	0.00%	—	0.00%
Buckland	759,300	—	—	1,991	0.03%	1,929	0.03%	—	0.00%	—	0.00%	—	0.00%
Cambridge	17,180,643	19,085,295	—	*	*	*	*	*	*	*	*	*	*
Canton	—	—	—	*	*	*	*	*	*	*	*	*	*
Carver	—	—	155,405	11,163	0.18%	11,647	0.19%	11,289	0.19%	—	0.00%	—	0.00%
Charles River Pollution Control Dist.***:	12,394,486	—	—	75,684	1.19%	74,618	1.21%	71,953	1.18%	—	0.00%	—	0.00%
Charlton	13,812,318	3,415,351	—	11,263	0.18%	10,345	0.17%	—	0.00%	—	0.00%	—	0.00%
Chatham	188,028	—	200,000	6,625	0.10%	7,098	0.12%	6,930	0.11%	6,269	0.10%	—	0.00%
Chelmsford	23,656,632	—	—	33,858	0.53%	33,776	0.55%	33,484	0.55%	—	0.00%	—	0.00%
Cherry Valley Water District	—	1,264,725	—	—	—	—	—	—	—	—	—	—	0.00%
Chesterfield	—	—	515,932	1,201	0.02%	1,125	0.02%	1,121	0.02%	—	0.00%	—	0.00%
Chicopee	5,306,956	—	—	*	*	54,049	0.88%	—	0.00%	—	0.00%	—	0.00%
Clarksburg	365,000	—	—	*****	*****	*****	*****	*****	*****	*****	*****	—	0.00%
Clinton	—	8,898,903	—	13,435	0.21%	—	—	—	0.00%	—	0.00%	—	0.00%
Cohasset	17,886,527	—	—	7,261	0.11%	7,094	0.12%	7,070	0.12%	—	0.00%	—	0.00%
Colrain	23,615	—	57,077	1,813	0.03%	1,834	0.03%	—	0.00%	—	0.00%	—	0.00%
Concord	—	—	200,000	16,993	0.27%	17,867	0.29%	17,792	0.29%	17,563	0.29%	—	0.00%
Conway	—	—	36,288	1,809	0.03%	1,653	0.03%	1,644	0.03%	—	0.00%	—	0.00%
Cool Sandy Beach	—	115,500	—	—	—	—	—	—	—	—	—	—	—
Dartmouth	13,759,445	2,772,017	427,003	30,666	0.48%	28,503	0.46%	28,100	0.46%	27,868	0.46%	—	0.00%
Dedham	3,127,885	—	107,647	*	*	*	*	*	*	*	*	*	*
Dennis	—	—	523,932	15,973	0.25%	14,693	0.24%	14,423	0.24%	—	0.00%	—	0.00%
Dighton	—	—	120,778	6,175	0.10%	5,937	0.10%	5,871	0.10%	5,761	0.10%	—	0.00%
Dover	—	—	187,003	5,558	0.09%	5,481	0.09%	5,383	0.09%	5,500	0.09%	—	0.00%
Dracut	8,395,191	861,739	26,090	28,562	0.45%	28,136	0.46%	27,769	0.46%	27,576	0.46%	—	0.00%
Dudley	128,455	585,223	59,823	10,036	0.16%	9,802	0.16%	9,676	0.16%	9,554	0.16%	—	0.00%
Duxbury	488,909	—	371,362	14,248	0.22%	15,353	0.25%	15,007	0.25%	14,556	0.24%	—	0.00%
East Bridgewater	1,020,093	—	1,342,408	12,974	0.20%	12,584	0.20%	12,133	0.20%	12,005	0.20%	—	0.00%

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Trust Loans Outstanding as of June 30, 2003													
Local Government Unit	Permanent / Interim			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Clean Water	Drinking Water	Title 5	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State
Eastham	944,034	—	237,003	5,453	0.09%	5,033	0.08%	4,855	0.08%	—	0.00%	—	0.00%
Easthampton	3,259,678	—	—	15,994	0.25%	15,627	0.25%	15,744	0.26%	15,512	0.26%	—	0.00%
Easton	335,180	—	129,999	22,299	0.35%	21,311	0.35%	20,970	0.34%	—	0.00%	—	0.00%
Egremont	—	—	115,000	1,345	0.02%	1,226	0.02%	—	0.00%	—	0.00%	—	0.00%
Essex	1,269,813	—	191,590	3,267	0.05%	3,407	0.06%	3,368	0.06%	—	0.00%	—	0.00%
Fairhaven	267,287	—	297,875	16,159	0.25%	15,937	0.26%	15,975	0.26%	16,279	0.27%	—	0.00%
Fall River	36,682,220	3,486,365	—	91,938	1.45%	90,654	1.47%	90,865	1.49%	—	0.00%	—	0.00%
Falmouth	3,171,078	—	573,932	32,660	0.51%	31,431	0.51%	30,451	0.50%	—	0.00%	—	0.00%
Fitchburg	1,999,110	17,051,545	—	39,102	0.62%	40,011	0.65%	39,843	0.65%	—	0.00%	—	0.00%
Foxborough	2,125,406	—	155,405	16,246	0.26%	16,388	0.27%	16,011	0.26%	15,532	0.26%	—	0.00%
Framingham	768,346	—	—	*	*	*	*	*	*	*	*	*	*
Franklin	—	—	29,120	****	****	****	****	****	****	****	****	****	****
Gardner	—	8,809,281	—	20,770	0.33%	20,261	0.33%	—	0.00%	—	0.00%	—	0.00%
Georgetown	—	2,076,873	287,003	7,377	0.12%	7,384	0.12%	7,054	0.12%	—	0.00%	—	0.00%
Gill	—	—	38,909	1,363	0.02%	1,584	0.03%	1,589	0.03%	1,612	0.03%	—	0.00%
Gloucester	25,413,203	—	1,031,651	30,273	0.48%	29,657	0.48%	29,267	0.48%	—	0.00%	—	0.00%
Grafton	—	—	71,514	14,894	0.23%	13,742	0.22%	13,286	0.22%	13,398	0.22%	—	0.00%
Granby	548,454	—	—	6,132	0.10%	5,865	0.10%	5,850	0.10%	—	0.00%	—	0.00%
Great Barrington	299,770	—	—	7,527	0.12%	7,592	0.12%	—	0.00%	—	0.00%	—	0.00%
Greater Lawrence Sewerage District*	1,570,666	—	—	174,281	2.74%	31,424	0.51%	—	0.00%	—	0.00%	—	0.00%
Greenfield	7,540,677	—	115,314	18,168	0.29%	18,267	0.30%	18,580	0.30%	—	0.00%	—	0.00%
Groton	—	—	187,003	9,547	0.15%	9,205	0.15%	8,789	0.14%	8,714	0.14%	—	0.00%
Halifax	—	—	312,003	7,500	0.12%	7,163	0.12%	6,844	0.11%	—	0.00%	—	0.00%
Hanover	189,825	—	173,932	13,164	0.21%	13,278	0.22%	12,891	0.21%	12,554	0.21%	—	0.00%
Hardwick	—	—	29,613	2,622	0.04%	2,623	0.04%	2,559	0.04%	2,453	0.04%	—	0.00%
Harwich	—	—	100,000	12,386	0.20%	11,765	0.19%	—	0.00%	—	0.00%	—	0.00%
Hatfield	1,117,400	—	43,902	3,249	0.05%	3,214	0.05%	—	0.00%	—	0.00%	—	0.00%
Haverhill	5,604,756	—	128,032	58,969	0.93%	55,321	0.90%	53,952	0.89%	—	0.00%	—	0.00%
Hillcrest Sewer District	940,768	—	—	—	—	—	—	—	—	—	—	—	—
Hingham	2,926,879	—	86,966	*	*	*	*	*	*	*	*	*	*
Hinsdale	2,648,028	—	—	1,872	0.03%	1,855	0.03%	1,884	0.03%	2,023	0.03%	—	0.00%
Holbrook	1,895,548	—	36,364	*	*	*	*	*	*	*	*	*	*
Holden	6,971,876	3,413,554	665,314	***	***	***	***	***	***	***	***	***	***
Holland	161,077	—	—	2,407	0.04%	2,092	0.03%	—	0.00%	—	0.00%	—	0.00%
Holliston	322,266	—	—	13,801	0.22%	13,576	0.22%	13,381	0.22%	—	0.00%	—	0.00%
Hoosac Water. Quality. Dist. *****	1,367,309	—	—	24,791	0.39%	24,251	0.39%	25,571	0.42%	—	0.00%	—	0.00%
Hopedale	—	859,534	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Hopkinton	7,505,631	—	368,607	13,346	0.21%	11,351	0.18%	10,805	0.18%	—	0.00%	—	0.00%
Hubbardston	—	—	13,045	3,909	0.06%	3,571	0.06%	3,373	0.06%	—	0.00%	—	0.00%
Hudson	1,044,689	—	124,020	18,113	0.29%	17,803	0.29%	17,695	0.29%	17,414	0.29%	17,414	0.29%
Hull	6,835,660	—	—	11,050	0.17%	10,528	0.17%	10,472	0.17%	—	0.00%	—	0.00%
Ipswich	1,548,200	—	—	12,987	0.20%	12,656	0.21%	12,352	0.20%	12,421	0.21%	—	0.00%
Kingston	24,520,273	—	549,028	11,780	0.19%	10,983	0.18%	10,447	0.17%	—	0.00%	—	0.00%
Lakeville	—	—	255,405	9,821	0.15%	8,900	0.14%	8,596	0.14%	—	0.00%	—	0.00%
Lancaster	—	—	150,000	*	*	*	*	*	*	*	*	*	*
Lanesborough	—	3,434,644	—	*	*	*	*	*	*	*	*	*	*
Lawrence	—	10,529,390	—	72,043	1.13%	69,420	1.13%	—	0.00%	—	0.00%	—	0.00%
Lee	174,354	—	—	5,985	0.09%	5,657	0.09%	5,743	0.09%	5,798	0.10%	—	0.00%
Leicester	—	—	241,795	***	***	***	***	***	***	***	***	***	***
Lenox	2,336,060	—	—	5,077	0.08%	5,180	0.08%	5,022	0.08%	5,149	0.09%	—	0.00%
Leominster	5,626,854	3,965,765	—	*	*	40,208	0.65%	39,263	0.64%	—	0.00%	—	0.00%
Lexington	—	—	41,478	*	*	*	*	*	*	*	*	*	*
Leyden	—	—	45,000	*	*	*	*	*	*	*	*	*	*
Lincoln	—	3,983,898	—	*	*	*	*	*	*	*	*	*	*
Littleton	—	—	344,879	8,184	0.13%	7,936	0.13%	7,695	0.13%	7,530	0.12%	—	0.00%
Longmeadow	—	—	21,934	15,633	0.25%	14,710	0.24%	14,864	0.24%	15,559	0.26%	—	0.00%
Lowell	5,497,576	9,513,676	—	105,167	1.66%	—	—	—	—	—	—	—	—
Ludlow	1,777,131	—	—	21,209	0.33%	18,957	0.31%	18,786	0.31%	—	0.00%	—	0.00%
Lunenburg	3,649,744	848,916	173,932	9,401	0.15%	9,473	0.15%	9,285	0.15%	9,468	0.16%	9,468	0.16%

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Trust Loans Outstanding as of June 30, 2003													
Local Government Unit	Permanent / Interim			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Clean Water	Drinking Water	Title 5	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State
Lynn Water & Sewer District	71,439,372	—	—	89,050	1.40%	81,075	1.32%	80,563	1.32%	80,563	1.33%	80,563	1.33%
Lynnfield	—	—	161,572	11,542	0.18%	11,359	0.18%	11,232	0.18%	11,290	0.19%	—	0.00%
Manchester By The Sea	6,245,635	—	—	5,228	0.08%	5,465	0.09%	5,357	0.09%	5,457	0.09%	—	0.00%
Mansfield	1,550,470	—	—	22,414	0.35%	19,244	0.31%	18,806	0.31%	19,244	0.32%	—	0.00%
Marlborough	2,281,055	—	—	36,255	0.57%	33,278	0.54%	—	0.00%	—	0.00%	—	0.00%
Marshfield	9,272,545	—	—	24,324	0.38%	23,538	0.38%	22,911	0.38%	—	0.00%	—	0.00%
Mashpee	1,203,984	—	237,003	12,946	0.20%	9,343	0.15%	—	0.00%	—	0.00%	—	0.00%
Massachusetts Development **	17,033,835	—	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Mass. Water Resources Authority *	594,156,089	62,095,172	—	2,732,185	43.03%	2,072,403	33.71%	2,051,433	33.67%	—	0.00%	—	0.00%
Mattapoisett	6,523,716	—	—	6,268	0.10%	6,333	0.10%	—	0.00%	—	0.00%	—	0.00%
Maynard	605,189	4,870,983	84,062	10,433	0.16%	10,462	0.17%	10,412	0.17%	10,419	0.17%	—	0.00%
Medfield	486,200	—	70,392	12,273	0.19%	11,726	0.19%	11,467	0.19%	—	0.00%	—	0.00%
Medway	—	—	191,511	****	****	****	****	****	****	****	****	****	****
Melrose	390,722	—	—	*	*	*	*	*	*	*	*	*	*
Mendon	—	—	75,901	5,286	0.08%	4,739	0.08%	4,399	0.07%	4,584	0.08%	—	0.00%
Merrimac	133,172	—	155,405	6,138	0.10%	5,966	0.10%	5,670	0.09%	5,803	0.10%	—	0.00%
Methuen	1,238,584	—	—	43,789	0.69%	41,988	0.68%	41,029	0.67%	—	0.00%	—	0.00%
Middleborough	377,914	—	603,645	19,941	0.31%	19,702	0.32%	19,200	0.32%	18,613	0.31%	—	0.00%
Middleton	—	—	100,000	7,744	0.12%	—	—	—	—	—	—	—	—
Millbury	5,088,814	—	—	***	***	***	***	***	***	***	***	***	***
Millville	—	—	337,003	2,724	0.04%	2,526	0.04%	2,432	0.04%	—	0.00%	—	0.00%
Milton	665,977	—	60,112	*	*	*	*	*	*	*	*	*	*
Montague	1,162,673	—	—	8,489	0.13%	8,293	0.13%	8,381	0.14%	—	0.00%	—	0.00%
Monterey	—	—	84,096	934	0.01%	801	0.01%	785	0.01%	—	0.00%	—	0.00%
Nahant	13,030	—	—	3,632	0.06%	3,797	0.06%	3,782	0.06%	—	0.00%	—	0.00%
Nantucket	2,957,035	—	19,746	9,520	0.15%	7,844	0.13%	7,267	0.12%	—	0.00%	—	0.00%
Natick	287,297	—	255,448	*	*	*	*	*	*	*	*	*	*
Needham	2,249,759	—	81,116	*	*	*	*	*	*	*	*	*	*
New Bedford	136,570,473	3,936,690	—	93,768	1.48%	96,353	1.57%	96,903	1.59%	94,623	1.57%	94,623	1.57%
Newburyport	636,178	—	—	17,189	0.27%	16,808	0.27%	16,558	0.27%	16,838	0.28%	—	0.00%
Newton	15,132,515	—	—	*	*	*	*	*	*	*	*	*	*
Norfolk	—	550,161	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
North Adams	2,245,016	—	—	*****	*****	*****	*****	*****	*****	*****	*****	—	0.00%
North Andover	7,239,544	—	—	27,202	0.43%	25,065	0.41%	24,283	0.40%	—	0.00%	—	0.00%
North Attleborough	4,504,331	7,435,126	—	27,143	0.43%	25,908	0.42%	25,550	0.42%	—	0.00%	—	0.00%
North Reading	377,914	—	173,932	13,837	0.22%	13,219	0.22%	12,919	0.21%	12,849	0.21%	—	0.00%
Northampton	—	—	83,410	28,978	0.46%	28,680	0.47%	28,838	0.47%	28,879	0.48%	—	0.00%
Northborough	1,058,212	—	72,536	*	*	13,258	0.22%	12,801	0.21%	12,752	0.21%	12,752	0.21%
Northbridge	8,548,826	—	253,928	13,182	0.21%	14,036	0.23%	13,693	0.22%	13,207	0.22%	—	0.00%
North Brookfield	—	4,878,935	—	4,683	0.07%	4,845	0.08%	—	0.00%	—	0.00%	—	0.00%
North Sagamore Water District	—	310,668	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Norton	2,709,915	—	555,405	18,036	0.28%	16,097	0.26%	15,659	0.26%	15,775	0.26%	—	0.00%
Norwell	—	—	18,900	9,765	0.15%	—	—	—	—	—	—	—	—
Norwood	990,361	—	—	*	*	*	*	*	*	*	*	*	*
Oak Bluffs	15,268,979	—	—	3,713	0.06%	3,267	0.05%	3,128	0.05%	—	0.00%	—	0.00%
Orange	161,700	—	102,620	7,518	0.12%	7,454	0.12%	7,523	0.12%	7,542	0.12%	—	0.00%
Palmer	5,793,923	—	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Paxton	—	—	138,405	***	***	***	***	***	***	***	***	—	0.00%
Pembroke	173,730	—	294,737	16,927	0.27%	16,621	0.27%	—	0.00%	—	0.00%	—	0.00%
Phillipston	—	—	138,382	1,621	0.03%	1,620	0.03%	1,613	0.03%	—	0.00%	—	0.00%
Plainville	—	—	75,000	7,683	0.12%	7,354	0.12%	—	0.00%	—	0.00%	—	0.00%
Plymouth	42,484,898	644,719	319,641	51,701	0.81%	49,810	0.81%	48,329	0.79%	—	0.00%	—	0.00%
Plympton	—	—	58,100	2,637	0.04%	2,678	0.04%	2,614	0.04%	—	0.00%	—	0.00%
Provincetown	16,065,282	—	373,932	3,431	0.05%	3,743	0.06%	3,681	0.06%	—	0.00%	—	0.00%
Quincy	4,834,320	—	—	*	*	*	*	*	*	*	*	*	*
Randolph	513,432	—	—	*	*	*	*	*	*	*	*	*	*
Raynham	11,967,449	—	51,215	11,739	0.18%	10,789	0.18%	10,513	0.17%	10,443	0.17%	—	0.00%
Reading	—	—	20,949	*	*	*	*	*	*	*	*	*	*
Revere	597,589	—	—	*	*	*	*	*	*	*	*	*	*

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(A Component Unit of the Commonwealth of Massachusetts)
Schedule of Population Served by Fiscal Year
For Fiscal Years Ending June 30, 1996 Through June 30, 2003

Trust Loans Outstanding as of June 30, 2003													
Local Government Unit	Permanent / Interim			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Clean Water	Drinking Water	Title 5	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State
Rockport	142,723	—	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Rowley	—	—	70,126	5,500	0.09%	5,343	0.09%	5,196	0.09%	—	0.00%	—	0.00%
Royalston	—	—	58,932	1,254	0.02%	1,224	0.02%	1,203	0.02%	—	0.00%	—	0.00%
Russell	1,575,287	451,925	—	1,657	0.03%	1,607	0.03%	1,594	0.03%	—	0.00%	—	0.00%
Salisbury	1,836,401	—	—	7,827	0.12%	7,238	0.12%	—	0.00%	—	0.00%	—	0.00%
Sandwich	—	—	400,000	20,136	0.32%	18,746	0.30%	—	0.00%	—	0.00%	—	0.00%
Saugus	991,743	—	8,697	—	*	26,576	0.43%	26,223	0.43%	25,949	0.43%	—	0.00%
Scituate	12,566,785	—	109,716	17,863	0.28%	17,577	0.29%	17,242	0.28%	17,223	0.29%	—	0.00%
Seekonk	—	6,328,870	373,932	13,425	0.21%	13,339	0.22%	13,269	0.22%	—	0.00%	—	0.00%
Sharon	—	—	373,932	17,408	0.27%	16,942	0.28%	16,684	0.27%	16,542	0.27%	—	0.00%
Shirley	14,419,049	—	—	6,373	0.10%	7,674	0.12%	7,463	0.12%	—	0.00%	—	0.00%
Shrewsbury	465,833	—	196,416	***	***	***	***	***	***	***	***	***	***
Shutesbury	—	—	237,003	1,810	0.03%	1,701	0.03%	1,712	0.03%	—	0.00%	—	0.00%
Somerset Water District	—	443,814	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
South Deerfield Water Supply	—	3,752,340	—	4,750	0.07%	4,927	0.08%	—	0.00%	—	0.00%	—	0.00%
South Essex Sewerage District **	130,915,068	—	—	181,731	2.86%	171,883	2.80%	175,033	2.87%	174,942	2.90%	174,942	2.90%
Southampton	536,749	1,947,285	237,003	5,387	0.08%	4,941	0.08%	17,447	0.29%	—	0.00%	—	0.00%
Southborough	—	—	855,405	*	*	7,798	0.13%	4,853	0.08%	7,274	0.12%	—	0.00%
Southbridge	328,689	6,608,478	96,750	17,214	0.27%	17,460	0.28%	7,388	0.12%	—	0.00%	—	0.00%
South Hadley	2,598,944	—	—	—	*	17,097	0.28%	17,047	0.28%	—	0.00%	—	0.00%
Southwick	—	—	57,415	8,835	0.14%	*	*	*	*	*	*	*	*
Spencer	—	—	187,003	11,691	0.18%	12,432	0.20%	12,091	0.20%	11,679	0.19%	—	0.00%
Springfield	13,476,062	—	—	152,082	2.40%	148,144	2.41%	149,948	2.46%	—	0.00%	—	0.00%
Sterling	—	471,596	—	*	*	*	*	*	*	*	*	*	*
Stoughton	—	3,014,916	178,928	*	*	*	*	*	*	*	*	*	*
Sturbridge	5,401,548	—	—	7,837	0.12%	8,057	0.13%	7,911	0.13%	8,046	0.13%	—	0.00%
Sunderland	—	—	86,930	3,777	0.06%	3,508	0.06%	3,519	0.06%	3,547	0.06%	—	0.00%
Sutton	353,206	—	47,404	8,250	0.13%	7,597	0.12%	7,340	0.12%	7,565	0.13%	—	0.00%
Swampscott	9,594,526	—	—	*	*	13,868	0.23%	13,676	0.22%	13,743	0.23%	13,743	0.23%
Swansea Water District	—	3,025,985	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Taunton	14,933,146	4,558,388	184,205	55,976	0.88%	52,553	0.85%	51,937	0.85%	—	0.00%	—	0.00%
Templeton	2,795,248	—	153,559	6,799	0.11%	7,116	0.12%	6,991	0.11%	6,572	0.11%	—	0.00%
Tewksbury	3,430,843	—	—	28,851	0.45%	29,070	0.47%	28,644	0.47%	28,946	0.48%	—	0.00%
Tisbury	409,700	—	187,003	3,755	0.06%	3,475	0.06%	—	0.00%	—	0.00%	—	0.00%
Title 5 Unallocated Proceeds:	—	—	8,295,799	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Townsend	—	—	330,152	9,198	0.14%	9,169	0.15%	8,997	0.15%	—	0.00%	—	0.00%
Truro	—	—	187,003	2,087	0.03%	1,799	0.03%	1,729	0.03%	—	0.00%	—	0.00%
Tyngsborough	3,385,710	—	—	11,081	0.17%	10,296	0.17%	—	0.00%	—	0.00%	—	0.00%
Upper Blackstone Wpad ***	12,175,980	—	—	294,645	4.64%	281,492	4.58%	278,496	4.57%	265,188	4.39%	265,188	4.39%
Upton	4,167,100	—	—	5,642	0.09%	5,524	0.09%	5,339	0.09%	5,335	0.09%	—	0.00%
Wakefield	—	2,479,664	93,936	*	*	*	*	*	*	*	*	*	*
Walpole	2,447,928	9,981,948	115,213	*	*	*	*	*	*	*	*	*	*
Waltham	—	—	—	*	*	*	*	*	*	*	*	*	*
Ware	753,500	—	—	9,707	0.15%	9,727	0.16%	9,817	0.16%	9,783	0.16%	—	0.00%
Wareham	16,956,339	—	473,406	20,335	0.32%	19,756	0.32%	19,545	0.32%	20,120	0.33%	20,120	0.33%
Warren Water District	—	299,020	—	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Wayland	612,778	—	338,928	13,100	0.21%	12,343	0.20%	12,041	0.20%	12,355	0.20%	—	0.00%
Webster	8,002,760	—	73,707	16,415	0.26%	16,115	0.26%	16,089	0.26%	—	0.00%	—	0.00%
Wellfleet	—	—	135,000	2,749	0.04%	—	—	—	—	—	—	—	—
West Boylston	6,271,932	—	1,460,000	***	***	***	***	***	***	***	***	***	***
Westborough	2,687,426	—	—	17,997	0.28%	15,428	0.25%	15,005	0.25%	15,165	0.25%	15,165	0.25%
Westfield	20,156,402	130,530	—	40,072	0.63%	37,570	0.61%	37,539	0.62%	—	0.00%	—	0.00%
Westford	—	13,724,066	68,925	20,754	0.33%	19,559	0.32%	18,642	0.31%	—	0.00%	—	0.00%
Westminster	—	—	—	6,907	0.11%	6,707	0.11%	—	0.00%	6,553	0.11%	—	0.00%
West Newbury	—	—	400,000	*	*	*	*	*	*	*	*	*	*
West Stockbridge	—	796,691	—	1,416	0.02%	1,445	0.02%	—	0.00%	—	0.00%	—	0.00%
Westwood	3,485,196	—	—	*	*	*	*	*	*	*	*	*	*
Weymouth	383,606	821,909	47,683	*	*	*	*	*	*	*	*	*	*
Whately	—	—	—	*	*	*	*	*	*	*	*	*	*

POLLUTION ABATEMENT TRUST
(A Component Unit of the Commonwealth of Massachusetts)
Schedule of Population Served by Fiscal Year
For Fiscal Years Ending June 30, 1996 Through June 30, 2003

Local Government Unit	Trust Loans Outstanding as of June 30, 2003			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Permanent / Interim			Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State	Population	% Of State
	Clean Water	Drinking Water	Title 5										
Whitman	—	7,248,831	80,496	13,882	0.22%	14,229	0.23%	13,743	0.23%	13,439	0.22%	—	0.00%
Wilmington	—	—	195,728	*	*	*	*	*	*	*	*	*	*
Winchendon	9,628,266	2,643,549	140,418	9,611	0.15%	9,176	0.15%	8,931	0.15%	9,248	0.15%	—	0.00%
Winchester	—	—	64,107	*	*	*	*	*	*	*	*	*	*
Windbrook Acres	—	441,412	—	*	*	*	*	*	*	*	*	*	*
Woburn	—	4,800,541	—	37,258	0.59%	—	—	—	—	—	—	—	—
Wrentham	300,704	264,470	227,000	10,554	0.17%	—	—	—	—	—	—	—	—
Yarmouth	17,932,358	—	342,408	24,807	0.39%	22,797	0.37%	22,335	0.37%	21,727	0.36%	21,727	0.36%
Totals As Of End Of Fiscal Year	1,765,258,692	282,787,143	38,289,341	6,371,328	100.35%	5,434,761	88.41%	5,021,874	82.43%	1,532,149	25.36%	786,304	13.02%
TOTAL MASSACHUSETTS POPULATION						6,147,132		6,092,352		6,041,157			

NOTE: "Population Served" exceeds "population of Commonwealth" due to overlaps in population in different programs within the Trust.

*** MWRA**

The MWRA Cities, Towns and special purpose entities listed below are included in the MWRA count above

Arlington	Hingham	Revere
Ashland	Holbrook	Somerville
Bedford	Lancaster	Stonham
Belmont	Lexington	Stoughton
Boston	Malden	Wakefield
Braintree	Medford	Walpole
Brookline	Melrose	Waltham
Burlington	Milton	Watertown
Cambridge	Natick	Wellesley
Canton	Needham	Westwood
Chelsea	Newton	Weymouth
Clinton	Norwood	Wilmington
Dedham	Quincy	Winchester
Everett	Randolph	Winthrop
Framingham	Reading	Woburn

**** South Essex Sewerage District**

The South Essex Sewerage District serves six Cities and Towns in Essex County including:

Beverly	Danvers	Marblehead
Other	Peabody	Salem

***** Upper Blackstone WPAD**

Upper Blackstone WPAD serves eleven communities including:

Auburn	Millbury	Shrewsbury
Boylston	Oxford	W. Boylston
Holden	Paxton	Worcester
Leicester	Rutland	

****** Charles River Pollution Control District**

Charles River Pollution Control District serves five communities including:

Bellingham	Medway	Norfolk
Franklin	Millis	

******* Hoosac Water Quality District**

Hoosac Water Quality District serves three communities including:

Clarksburg	North Adams	Williamstown
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^ Greater Lawrence Sewerage District

Greater Lawrence Sewerage District serves four communities including:

Andover	N. Andover
Lawrence	Methuen

Population Statistics Source: Massachusetts Department of Revenue, Division of Local Services, Massachusetts Institute for Social and Economic Research (MISER). Revised 4/21/2001 by MISER.

Major Drainage Basins in Massachusetts

